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BRAZIL

BUSINESSMEN DEMAND POLICY DEBATE

Need for Business Policy Emphasized

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 8 Mar 77 p 38

[Text] Politics only for the political parties? No--is the response of Einar Kok, president of the Machine Building Industry Union. First of all--Kok recalls--the leader of the union in his opinion cannot affiliate himself with a party; second, his statements "cannot be confined to the strict limits of sector economic interests." As an individual, he would be "intellectually mutilated" if he did not have a political opinion. As an entrepreneur, he is not a "simple money maker." As leader of the union, his role "is to represent the sum total of the aspirations and interests" of the groups to which he is tied.

These statements are part of some reflections on the February events, when Sao Paulo businessmen proposed the expansion of political debates and the determination of the state of emergency as quickly as possible. Kok combined his ideas in a document in which he explains, first of all, why he is a candidate for reelection, even though he considered it necessary to renew the leadership. Throughout his statement, he expresses the fear that the generation growing up today will--like the generation "sacrificed by the New State"--turn out to be a "lost generation" which proved incapable of controlling the system set up in 1945.

Text of Document

It was with great reluctance that I agreed once again to run for the new management of Abimaq-Simesp [expansion unknown]. This is so because I firmly believe in the need for renewing the leadership cadre of the class associations and I think that successive reelections prevent the new generations from taking over command which, in all justice, is theirs. However, under current circumstances, I judged that another term--and this is certainly the last one--could be useful to the entities over which I preside because, in a difficult phase in the nation's life, the experience I acquired during my past tenure can be helpful under current circumstances and can be turned into a positive contribution to the stability and progress of the entities.



The strengthening of national business is the basic point in a program aimed at guaranteeing its competitive power and its viability against pressures of various origins; above all, on a priority basis, it is however the duty of Simesp to defend national work and production, independently of the origin of capital.

Simesp/Abimaq today consists of 626 associated enterprises and undeniably is one of the most powerful and expressive class entities in the country. The machine-building and equipment sector employs 228,000 persons; it has an annual business volume of 49 billion cruzeiros and spends only 7 billion cruzeiros per year in direct salaries. The sector organization of Simesp, with the managements freely elected in each specialized department--today we have, on the whole, ten departments and three working groups--enormously facilitates the administrative task because the entity directorate--to which the representatives of the departments have free access--has the primary mission of general political guidance and harmonization of interests which are sometimes in conflict. The Directorate of Simesp/Abimaq also acts as a representative of the sector in dealing with other class entities and government agencies.

The leadership of a class entity is presently found within a polemical context whose debate is not only timely but also necessary. The "Ides of February" have focused our attention on management and its place within the nation's political framework. Now that the initial enthusiasm has faded away and reflecting on what happened, during what I would call a "withdrawal from the Carnaval," I consider it necessary to state certain positions, to formulate questions, and to try to dispel certain doubts which in recent times have almost created ideological chaos and generalized conflicts of opinion in business and industry circles.

First of all, in making any statement, a class leader can do so in three terms which are difficult to separate from each other: as an individual, as a business manager, and as the director of the entity he represents. As an individual, he will be intellectually mutilated if he does not have a political opinion. As a businessman, he is not just a moneymaker or a collector of profits (and, mark my words, profits in the economic structure, in which private ownership prevails, have their necessary function and do not have the obscene meaning which is often attributed to them); instead, he is a representative of a small community in which capital, engineering, and labor participate. As union leader, his role is to represent the sum total of the aspirations and interests of these collectivities and to seek to transmit faithfully their situation in the social-economic context and their legitimate demands.

The option of affiliation with a political party by a union leader, and his partisan political activity, is not only an inconvenience, as spelled out by Article 521 of the CLT [expansion unknown]. The class leader cannot be a courtier, nor a contestant. He must have full freedom to applaud the acts of the government, if that is called for, and to criticize them in other cases. His statements will be the just measure of the authenticity of his representation: destructive criticism and systematic praise are as harmful as a failure to state his position.

The statements of class leaders cannot be confined to the strict limits of economic sector interests. The wellbeing and prosperity of the sector will never remain isolated and atypical; instead, they fit into the general context of the country's economic progress. The business leader must have his eyes open and must be alert to what goes on around him. If he keeps his ear to the ground, he can get advance warning of the rumblings of earthquakes or the noise of groups on the march; how could he keep silent if a word spoken at the right moment and in a constructive sense can contribute to forestalling a future disaster?

As I said before, an enterprise is a collectivity which results from the sum total of the various factors involved and the business operator must not speak only in the name of capital but must also be the spokesman of an active and dynamic unity. The wellbeing of the workers is as important as the influx of capital into the enterprise. I remember well, when I started my term in the Directorate of the Manufacturers' Association, the endless nights we spent on discussions with the leaders of the metalworkers, in the Labor Court, and on the preparation of wage agreements. Many of my companions during those days are still active and Engineer Jorge Duprat Figueiredo always distinguished himself as an outstanding master of negotiations in the name of the manufacturer's group. The drafting and discussion of these agreements almost always involved the primary mission of a manufacturer's association. Patience sometimes almost ran out but there was one positive result: contact with labor leaders which, in one way or another, transmitted the viewpoint of those who were on the other side but who were a necessary part of the same industrial progress. This contact stopped some time ago, ever since the government took over the function of fixing, indicating, and establishing the parameters which represented official projections on wage hikes. Everything turned out to be much easier, undoubtedly, but, really, is this the best and permanent solution?

A business leader's freedom to express his opinion cannot be confined only to his own particular sector. In expressing his opinion, as an individual, to the effect that an institutional act must be of temporary duration and that its termination must be provided for after a period of time strictly necessary for the employment of the exceptional nature of this instrument and in refusing to include it among the "articles of faith," he is expressing a personal opinion which does not necessarily reflect the class consensus: I believe that several among my companions do not share it and prefer the false tranquility of a boiler which is undergoing pressure without the safety valves being in perfect operating condition. However, if he declares himself to be in favor of an increase in and a better distribution of the national income, then I believe that he will have unanimous support because this is directly reflected in the purchasing power of the entire people and consequently greater sales throughout the sector.

The businessman or class leader does not have the right to live in splendid isolation in an ivory tower; instead, through collaboration without submission and dialog without restrictions, he must seek to bring a knowledge of the reality in which they are participating to the responsible authorities. Although the truth cannot always be pleasant, it is at least always useful. Contact with civilian, military, and religious circles, with the

working classes and with intellectuals and university people is essential for the enrichment of the businessman's personality and for his keeping up to date in dealing with a world in ferment and in a continuous process of evolution.

I belong to a great generation sacrificed by the New State which frustrated the participation of numerous young people in the evolution of a political process. When democracy rose again in Brazil in 1945, the new option broke out divided between the new demagogues and the old politicians, jolting the people's confidence in the validity of the regime. A gap, represented by that "lost generation" emerged on that occasion; confused and unprepared, that "lost generation" tried to join in, without controlling a system which it had not earlier become familiar with. What we have today is not so much an opposition but rather the political skepticism of the new generation which is taking shape. Alienated or frustrated, fearful or escapist, its undeniable creative value is not being placed in the service of the nation. Are we preparing another "lost generation" for the future?

Rudely awakened from the dreamy economic miracle, the nation now faces difficult days. This is the time to stick together--not to pull apart. I am one of those who believe that the Brazilian people is sufficiently mature in order, if necessary, to listen to an appeal for mobilization for austerity and sacrifice, like the appeal for "blood, sweat, and tears" which saved another country. But the response to that appeal will have to come proudly, voluntarily, and consciously, as the expression of a decision and the manifestation of confidence in the country's political, social, and economic future.

#### Businessmen Support Call for Dialog

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 9 Mar 77 p 28

[Text] The statements of industrialist Einar Kok in support of the participation of businessmen in politics and the democratic opening, made on Monday, were supported by a large number of businessmen and politicians. There were some reservations, such as the one expressed by the government leader in the Federal Chamber, Deputy Jose Bonifacio. "If I were to offer him a place as a state or federal deputy, he would reject it."

Colonel Toledo Camargo, presidential press secretary, claimed that he had not read the statement by Einar Kok and therefore would not comment on it. But he said that he had a meeting scheduled today in Sao Paulo with Einar Kok and other businessmen for an informal conversation; unfortunately, however, he was forced to cancel the meeting because President Geisel had summoned him to Brasilia.

Upon being informed of the content of Kok's statements, he said that this was one more reason for him to return to Sao Paulo as soon as possible in order to talk to the businessmen.

In Rio, the vice president of the ABDIB (Brazilian Association for the Development of the Basic Industry), Henrique David de Sanson, considered Einar Kok's statement as an indication of the "existence of a consensus in the business class to the effect that it is necessary to achieve democratic normalcy in the country." And he gave a practical example for the need for an effective dialog:

"I have nothing against Minister of Industry and Commerce Calmon de Sa. However, if they had listened to us, we could certainly have given some names, which are not the names of bankers, because the interests of industry and commerce often clash with those advocated by the banks. The government has to stop the kind of dialog which it is currently maintaining with business because in that dialog only the government is talking. All our suggestions are pigeon-holed."

Sanson said that businessmen must influence the government "as is happening in the United States." In his opinion, no businessman is trying to overthrow the government if he wants to participate in politics. The country, he said, must follow the path toward democratic normalization "because no government can live while it is shut in within its own truce, that is to say, without listening to public opinion, and the latter is formed by all those who work to make the country great."

#### Bonifacio

Deputy Jose Bonifacio said that businessmen, in general, do not want to have anything to do with politics. "I have long experience in this, having struggled throughout my public life to draw them into the political partisan dispute. None of them wants to get involved because they all say that they do not want to hurt their own interests. They prefer to keep aloof. An industrialist in politics does not count. They keep maneuvering around without adopting any position. If I were to offer Kok a place as a deputy, he would turn it down." In concluding his statement, Deputy Jose Bonifacio noted that a businessman and deputy, Herbert Levy (ARENA-SP [National Renewal Alliance, Sao Paulo]), one of its assistant leaders, was on his side. He was not bothered by this. But the correction came quickly: "Herbert is the kind of businessman who, if he had to choose between the national interest and his own, would always decide against his own interests and I know that from my own observation during 30 years in the Chamber."

In P. Alegre and Recife, opinions of MDB deputies were in agreement: Porfirio Peixoto, second vice president of the Legislative Assembly of Rio Grande do Sul, said: "The statement by businessman Einar Kok cannot be analyzed in isolation. Like the statement of Papa Junior, the manifesto of the intellectuals, the document of Itaici, and the voices of the liberal political class, it is part of an awakening of consciousness to the fact that the political model has run out and that it is now necessary to seek new alternatives. The solution naturally cannot be to become tougher but instead to seek alternatives, as this businessman is doing." Another MDB member, Deputy Waldir Walter, said that Einar Kok's

statement "because of his responsibility as a leader of entities combining 626 enterprises is proof that the businessman Papa Junior was not all alone, as some people insinuated, when he asked for Brazil's redemocratization."

Roberto Freire, MDB deputy in the Pernambuco Assembly, said: "The Brazilian business community has just begun to wake up to a reality which has been described very well by former Minister Severo Gomes: capitalism owes its survival, in our day, to a great extent to democratic freedoms."

#### Prohibition

The president of the Rio de Janeiro section of the Brazilian Bar Association, Eugenio Haddock Lobo, said that businessmen have the right to participate in the country's political life. Regarding the restrictions of the CLT on political activities by union leaders, he said: "We must recall that the Brazilian union organization is marked by the rules of 1943, all of which were established in the Constitution of 1937. It is therefore necessary to adapt them to the rules of the constitutions of 1946 and 1967. After this adoption has been accomplished, we will see that various restrictive provisions of the CLT will be dropped because they are in open opposition to the most recent constitutions, in addition to being completely out of step with the norms of international conventions which we signed, such as the Charter of the International Labor Organization."

Eli Cerqueira and Renato Boschi, authors of the research study "O Empresario Nacional e o Estado no Brasil" [The Domestic Businessman and the State in Brazil], considered Kok's statement as "the expression of the desire on the part of the business community to legitimize its right to express its political opinions even outside the political parties."

#### Concessions

In endorsing the statements of Einar Kok, Mario Amato said that he believed that "man, by his very nature, is essentially political" and cannot "keep away from politics." Asserting that he cannot see how one can separate economics from politics, the Sao Paulo businessman--who is also the president of the Paper, Cellulose, and Cork Article Union--observed that businessmen must and can assume the role of critics "within the principle of liberty, with responsibility," although they must not "gratuitously oppose the government but simply guide it."

In the opinion of Mario Amato, Einar Kok "was extremely fortunate and mature" in placing the businessman within the political context. All businessmen--he said--are afraid of losing the security they gained after 1964. "And, with the passage of the years, major portions of responsibility were transferred to the constituted authorities merely out of convenience. The businessman made concessions and now, with good reason, he wants to resume his role as a man and as a Brazilian citizen."

Dilson Funaro said: "There is no economic policy that is separated from social policy" and he continued that "politics in general is the

interconnection of these sectors." Firm in the defense of this concept, Funaro stressed that a leader of a class entity cannot make politics in parties "also because that would be incompatible with his status."

#### Reflection

Industrialist Carlos Villares, of Industria Villares--Equipment Division--declared yesterday that the statement by Einar Kok "is an invitation to reflection." Although he agreed with almost all of the ideas advocated by the president of Abimaq, Carlos Villares did emphasize some points with which he said he could not agree.

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## BRAZIL

### NO MASS UNEMPLOYMENT, ACCORDING TO LABOR MINISTER

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 9 Mar 77 p 29

[Text] "As minister of labor, I can assure you that there will be no mass unemployment in Brazil," said Minister Arnaldo Prieto yesterday at the Federation of Commerce of the State of Sao Paulo. The minister had come to Sao Paulo to inaugurate the "Brasilio Machado Neto Institute," a center for studies in commerce.

According to the labor minister, there will be some dislocations in manpower due to the slowdown of the economy. "But," he added, "The government as a whole and the Ministry of Labor specifically are aware of the need for developing events in a situation under control."

#### Statistics

The labor minister used the registration of 2 million new contributors in the INPS [National Social Security Institute] in 1976 as an argument to deny yesterday, in Rio, the existence of widespread unemployment throughout the country.

For Minister Arnaldo Prieto, the absorption of manpower has been greater than the number of job seekers. "I have, for a year and 5 months," he said, "been emphasizing the absence of problems in the area of the labor market; there may possibly be problems of finding enough people to fill the demand for jobs. But if the government policy of slowing down the economy should result in isolated problems, such as in the auto industry or in certain specific other areas, they will be absorbed by those sectors which are offering jobs."

According to metalworker labor union leaders at ABC [expansion unknown], unemployment in the auto industry has not yet been specifically defined. "It has only been a month since the discharges that the workers, with their documents in order, have been looking for work. Others prefer to go on vacation and will return to the factories only when their unemployment benefits run out," said the president of the Metalworker Union at Sao Bernardo do Campo, Luiz Inacio da Silva.

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BRAZIL

INDIANS PROTEST LACK OF FREEDOM

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Mar 77 p 18

[Text] "We are here, in Brazil, just like so many prisoners in a concentration camp." This is how the representatives of the Bororos, Guaranis, and Kaingangues protested at the Second Indigenous Pastoral Assembly of the CIMI-South [expansion unknown] against the decision of FUNAI [National Indian Foundation] to prevent the participation of groups from the Parana reservations at that meeting which closed yesterday at Curitiba.

In a document entitled "Decisions of the Indians," they expressed--in rather peculiar Portuguese--their discontent with the situation to which they are subjected, whereas in the "Declaration of Mossungue" the promoters of the assembly expressed "astonishment with and disapproval of" the barriers imposed by the FUNAI on the meeting of Indians with the missionaries, recalling the breakup of the meeting held in January in Surumu, Roraima.

"We have no freedom. The Indian Charter says that we are free. But it does not let us visit our fellow countrymen. We are not going to visit the whites. The Indian is thus an intruder on his own land," continue the Indians, and they conclude: "We have to look out for ourselves. We can no longer hope to get anything from FUNAI."

After emphasizing the need for unity and expressing confidence in the missionaries--"who are not gaining anything in helping us"--the document continues with criticisms of the FUNAI station chiefs, asserting that few of them are really interested in the Indians. "But when they want to help the Indian, their superiors are already thinking of ways to kick the station chief out. The Indian should be consulted before the station chief is changed."

Interior Minister Rangel Reis is also a target of Indian criticism: "When he said that studying the Indian language was a loss of time--well, we do not agree with that." But the document, which brings up some considerations on the problem of alcoholism, defends the action of the missionaries from the CIMI: "Many people are saying that the fathers are spies. I do not think so. I think that they are working honestly before man and God."



They are not agents of the government; they work for and are interested in the entire collectivity." The signers are not identified by name but only by tribes.

The "Declaration of Mossungue"--released by the Southern Regional Headquarters of the CIMI--proposes to inform "public opinion on the dramatic situation in which the Brazilian Indians live in these regions and on the commitment, once again assumed, to have us continue to develop the work of the Church here."

After expressing profound satisfaction with the work of the National Conference of Bishops of Brazil, the CIMI document explained that the Curitiba meeting was devoted to reports and studies on the situation in which the poor natives live on the regional, national, and continental levels.

"The situation is dramatic. Outstanding among this drama is the depredation of the lands of the Indians due to intrusion, even by the official agencies in charge of protecting native property, the lack of respect for the social conditions of the Indians, the contempt for their culture, and the denial of their most elementary rights to self-determination." The document also emphasizes the way the Indians are pushed to the sidelines, "exploited, as they are, from the commercial viewpoint and as cheap manpower."

The "Declaration of Mossungue" expresses "unrestricted support" for the indigenous community of Mangueirinha in its demand for resuming ownership of an area of 8,976 hectares with 170,000 pine trees.

There is another part of the document which is specifically devoted to the proselyting effort conducted by the CIMI: "Once again we construe our missionary action as an effort of both spreading the gospel and of human advancement since the Church does not agree to having its mission confined only to the religious field, as if it were not at all interested in the temporal problems of men. We give full solidarity to all those who--viewing their mission among the disadvantaged and exploited population groups in this fashion--suffered and are suffering the most diverse reprisals and slander."

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# BRAZIL

## FINANCE MINISTER PESSIMISTIC ABOUT SOLVING INFLATION

Rio de Janeiro O GLOBO in Portuguese 22 Mar 77 p 19 PY

[Text] The trade balance during February was the best in the last 3 1/2 years, Finance Minister Simonsen said yesterday. Brazil imported \$879 million and exported \$852 million, leaving a deficit of only \$27 million.

The deficit for the first 2 months of the year was 56 percent less [as received], \$95 million, against \$730 million in the same period last year. Imports totaled \$1,833 billion, dropping 1.5 percent from 1976, and exports increased 53.6 percent, from \$1,131 billion last year to \$1,738 billion this year.

Since September 1973, when it showed a \$193-million surplus, the Brazilian trade balance has not been as favorable as it was last month. By February last year the deficit had already reached \$242 million as a result of \$867 million in imports and \$625 million in exports.

According to the finance minister this exceptional result, which brings trade almost into balance again, is not due merely to the high prices of coffee and soybeans. To illustrate the point the minister quickly drew a chart showing the development of exports by type of products:

<u>Types</u>	<u>1977 in \$1,000</u>	<u>1976 in \$1,000</u>	<u>Variation, in percent</u>
Basic products	1,049,640	581,020	80.7
Semi-manufactured	125,824	117,797	6.8
Manufactured	521,882	398,510	31
Goods for on-board sale [consumo de bordo], re- exports, and special transactions	41,192	34,323	20
Total	1,738,538	1,131,650	53.6

Thus there has been a 31 percent increase in sales of manufactured goods, according to the minister. The general performance of exports, which showed an increase of 53 percent compared with the first 2 months of last year, led

Minister Simonsen to feel quite optimistic about the possibility of maintaining balanced trade this year.

Simonsen's optimism toward the trade balance, however, changes to discouragement when discussing inflation. He says that he no longer knows what to do to stop the great increase in the prices of agricultural products (especially vegetables, which increased 127 percent last year and 28 percent during the first 2 months of this year).

"The prices of industrialized products are increasing relatively little, but this does not happen with the price of agricultural products, due, I believe, to seasonal factors and also because of foreign influence, especially in the case of coffee and soybeans. Nevertheless, the marketing of vegetables continues to be a serious problem, more so in Rio de Janeiro than in Sao Paulo," said Simonsen.

Simonsen added that he always discusses this subject with Agriculture Minister Alysson Paulinelli, and the conclusion they have reached so far is that there is no other solution but to encourage the creation of producers cooperatives and build an ever-increasing number of markets in areas which produce vegetables. For this a 1-billion-cruzeiro line of credit has already been opened.

"Even so," continues the finance minister, "things are getting better. It is interesting to see that where prices have gone up very much, that is to say in the agricultural sector, inflation does not come from costs. This leads us to consider whether we are not being too hasty when we say that inflation is more the result of costs than of excessive demand."

Simonsen believes that there is not much that can be done except continue to use traditional price control mechanisms which have been operating satisfactorily in the case of certain products (he cites meat as an example). The other instrument is monetary policy. Money will continue to be tight.

"We do not intend to lift the restrictions of our monetary policy, because we have found that inflation may have other causes than costs. Therefore, plans for the means of payment provide for an 8.8 percent reduction in March in relation to December. What we have already done is put an end to the "simoneta" [proposed 2-cruzeiro refundable deposit on gasoline]; because there was no need to reduce demand even further, and this would cause a strong shrinking of liquidity," stated the minister.

Simonsen says there is no indication that the increase of price and cost of living indexes for March will be greater than for last month. He states that he has not yet received the so-called "20-day report" from the Getulio Vargas Foundation giving the wholesale price index, which shows the behavior of these prices for the first 20 days of the month.

Simonsen believes that there is still no satisfactory indication that the whole economy is being cooled off. There are only hints, such as the fact that bankers have offered decreased interest rates. A slowdown is visible only in certain sectors, such as the automobile and household appliances industries.

As to the decrease in interest rates, the minister explained that the really significant rate is not that of promissory notes but of investment banks. Except for the demands for an average balance [saldo medio], the commercial banks can establish their rates on promissory notes at will. The same does not apply, however, to the rates of investment banks, which in the last 30 days dropped from 60 to 52 percent per year. They will probably drop even further, which is bound to cause a general reduction of interest rates.

CSO: 3001

## BRAZIL

### NEW LINE OF CREDIT OBTAINED IN EUROPE

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 17 Mar 77 p 38

[Text] FINAME [Fund for Financing of Machinery and Equipment] (Special Agency for Industrial Financing) will get more than F107,850,000 (about 286 million cruzeiros as line of credit in Europe to finance the import of parts and spare parts from France intended for equipment manufactured in Brazil. The contract opening the line of credit was signed yesterday in Paris by BNDE [National Economic Development Bank] President Marcos Pereira Vianna and the representatives of the "pool" which will supply the resources: Societe Generale, Credit Lyonnais, and Bank of Paris and the Low Countries.

This is the second funding contract signed by the BNDE president during his current trip to Europe. The first contract was signed in Frankfurt on the 14th; it will permit the BNDE to obtain DM100 million (about 550 million cruzeiros) on the German capital market for the issue of "bonds."

### Nationalization

During the solemn ceremony held yesterday at the Brazilian Embassy in Paris, Marcos Vianna emphasized that, in line with the policy of replacing imports, pursued by the Brazilian Government, the index of domestic production of equipment manufactured in Brazil will go up to about 70 percent for the more sophisticated goods and as much as 85 percent for goods manufactured on the basis of specific orders. The substitution program, Vianna added, has made it possible to save about \$1.5 billion in foreign exchange last year.

According to the announcement released yesterday by the BNDE, in Rio, an operation such as the one conducted in Paris is important because it will increase the "pressure exerting power" of the domestic producer when he seeks to negotiate more favorable terms for the import of parts and spare parts. "The domestic manufacturer," the announcement explains, "many times finds himself forced to make such purchases on sight or to get financing under unsatisfactory terms and conditions. Now, instead of isolated purchases, which pulverize the pressure exerting power when he seeks more favorable conditions, the domestic producer will have an opportunity to fall back on funds obtained through FINAME which the agency hopes may be allocated under conditions similar to those usually granted in its own national programs."

BRAZIL

# ENERGY MINISTER, OTHERS VIEW PROBLEMS OF PETROBRAS

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Mar 77 p 41 PY

[Text] Rio de Janeiro--Petrobras will not give up control of petroleum production in the area of risk contracts, to make sure that petroleum deposits are not exploited in depredatory manner or in violation of technical requirements, Mines and Energy Minister Shigeaki Jeki told O ESTADO yesterday during an interview.

The minister reported that negotiations on new risk contracts will be expedited, adding that a second call for bids will be held in April in which 40 foreign companies accredited with Petrobras during the first call for international bids will be invited to participate.

The experience acquired by the Petrobras negotiators and the definition of a number of fiscal and tax questions are factors which will expedite the second round of risk contracts, the minister said. Another factor which will contribute to this is the elimination of prequalification of enterprises. All those authorized to participate in the first round will be called on.

Ueki expressed his disagreement with reports that because of future risk contracts, petroleum production would fall into the hands of foreign companies. In his opinion only Petrobras can determine the period during which a petroleum field should yield production and the volume of oil which should be extracted daily.

According to the minister, this is designed to prevent predatory exploitation of deposits and a conflict of interests between the contractors and Petrobras. As long as technical recommendations are observed, a given petroleum deposit could yield a little less petroleum daily but for a much longer period of time, and even methods of secondary recovery could be used. Ueki said: "This can be possible if production is under Petrobras control, but not if the contracting companies are entirely responsible for the pace of production of the petroleum deposits.

Following the recent replacement of three Petrobras directors, prompted--according to the minister--by strictly administrative reasons, and the subsequent reorganization of their respective areas of responsibility, the government considers that there will be no more changes in Petrobras and denies the possibility of changing its structure.

Ueki pointed out that as a result of the redistribution of jobs, new director Jose Marques Neto can fully devote himself to problems related to petroleum production and exploration. Removed from his area of responsibility were the purchase of materials and the offices located abroad, which are now under the financial director, Carlos Alberto Sholl Isnard.

Although acknowledging that Brazilian geology has not responded thus far to efforts by Petrobras technicians to find petroleum, Ueki expressed optimism at the prospects offered by the Continental Shelf, especially in the Petroleum areas of Campos, Ceara and Rio Grande do Norte. He reiterated that, unlike previous years, Petrobras is not facing a shortage of resources in undertaking petroleum exploration. He even mentioned that new equipment will be used in prospecting activity, such as the "Petrobras V" platform, which will be launched tomorrow in Angra do Reis at the Verolme Shipyard.

The mines and energy minister expressed confidence in the correctness of the policy of fuel rationalization, especially considering the results obtained recently, with a minor increase in the consumption of gasoline in the first 2 months of this year and with an increase of "only 2 to 3 percent in the consumption of petroleum byproducts." According to preliminary information available at the Mines and Energy Ministry, petroleum byproducts accounted for 42.5 percent of the national energy consumption in 1976 and for 44.3 percent in 1975, while consumption of hydraulic energy increased from 23.2 percent to 24.9 percent.

Ueki said that he expected to achieve better results in saving fuels through implementation of new rules regarding turning up diesel motors, adding that the rationalization policy--which places a major burden on gasoline prices--is compatible with the government's objective of curbing inflation. He said that this is so because, since gasoline has a lower impact on the cost of living than other byproducts, it is natural that the high prices paid for gasoline are used to subsidize the prices of the other byproducts, which have a greater impact on the indexes calculated by the Getulio Vargas Foundation.

"A major part of the present problems faced by Petrobras stem from erroneous information released on the deposits found, of the sizes of the fields. I do not understand why this is done, if the Petrobras leadership needs to create a climate of optimism or if it wants to justify its investments, but the truth is that this is damaging field work." This statement was made by a DEXPRO [presumably Department of Exploration and Production] engineer, who protests with others the creation of "a climate of false expectations."

"I have to believe that the directors do not understand the technical reports we submit to them, despite the fact that we use the simplest possible language," said the Petrobras engineer, an expert in maritime deposits. He added: "I cannot imagine how the press can be so poorly informed about Garoupa. There are important problems which are never handled as they should be. One of them is the continuing delay in supplying equipment to Petrobras. Brazil has reversed its development process: in other countries the establishment of a consumer goods industry is preceded by that of a capital assets industry.

CSO: 3001



## BRAZIL

### FOREIGN COMPANIES TO BID FOR PETROLEUM CONTRACTS

#### Risk Contract Execution To Be Speeded Up

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 15 Mar 77 p 34

[Text] Petrobras [Brazilian Petroleum Corporation] will negotiate with foreign companies, which will participate in the risk contracts, so that they may speed up the start of drilling on the Continental Shelf, in pursuit of the government objective of rapidly determining the country's petroleum potential.

Although the objective of the foreign companies is to start the prospecting work without delay, the attitude of Petrobras, according to sources in the enterprise's management, is to evidence the commitment of the government in terms of giving Brazil additional sources of supply so as to reduce the current national deficit which has been estimated at about 800,000 barrels per day.

The three risk contracts which have so far been signed with British Petroleum, Shell, and the ELF-AGIP [National Italian Oil Company] Consortium call for drilling to start within 12-15 months, as of the date the contracts are signed. According to Petrobras engineers, these are the average deadlines in Brazil and in other countries for drilling the first exploratory well in a certain prospecting area.

Before beginning to drill, the foreign companies will have to conduct an earthquake survey in addition to the one conducted by Petrobras, as part of the maps purchased for \$400,000. As a result of this effort, the foreign companies will obtain more in-depth knowledge of the characteristics of the area to be explored and they will thus be in a better position to determine the first location where the pilot well will be drilled.

After the additional earthquake survey has been completed, the data obtained will be subjected to interpretation for the purpose of drafting the exploration strategy. In the case of the companies participating in the risk contracts, this analysis however is accomplished abroad and this of course takes more time. After this phase has been completed, the enterprise will indicate the type of prospecting equipment to be used and will provide for its rental and shipment to Brazil.

The predominant thinking in the new Petrobras management is that it is now urgent to forge ahead quickly in the process of petroleum exploration and production, including the government enterprises and the international petroleum corporations.

Petrobras engineers therefore think that some steps in the drilling preparation process can be speeded up, independently of the contract deadlines established, which were proposed by the government enterprise likewise. In this case, the additional earthquake survey would be included without regard as to the interpretation of the data obtained; this effort is more simplified today as a result of the use of electronic computers.

#### Maranhao

Belem. Petrobras engineers are reevaluating the sedimentary basin of Barreirinha, in Maranhao, where prospecting was abandoned some years ago, because the petroleum found there was not considered economical to exploit. If the reevaluation should indicate the probability of good results, new wells will be drilled in the region. The work was divided into two phases: reinterpretation of data from the earthquake viewpoint which will indicate the viability of going on to the second phase, that is, the earthquake survey of the area itself.

Without mentioning any deadlines for the completion of these two phases, government enterprise engineers are of the opinion that now that conditions are better, particularly in terms of equipment, Petrobras can be quite successful at Barreirinha where prospecting work was abandoned 10 years ago due to lack of more positive results.

#### Risk Contract Bidding in Mid-April

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 17 Mar 77 p 39

[Excerpts] Petrobras is to hold the second bidding for risk contracts by the middle of April; the 44 enterprises, which were qualified on a preliminary basis during the first contract phase, early in 1976, will automatically be candidates here.

Exemption from official authorization for companies accredited earlier was a decision adopted by Petrobras in order to speed up negotiations and to save about 3 months which was the time spent last year on an examination of the reports submitted by those enterprises.

#### Contract Draft

The new draft for the contracts, now being prepared by SUPLEX (Superintendency of Exploration Contracts), of Petrobras, will be submitted for approval by the government enterprise's Board of Governors. The representatives of the foreign enterprises are being informed that the bidding specifications, containing the new risk areas, may be published in the Brazilian and international press on 15 April.

Petrobras has already decided to introduce various amendments in the second draft for the purpose of attracting a larger number of proposals from foreign companies. The most important one among them is that these companies will have to pay a "symbolic price" for the purchase of geo-physical and geological information furnished by Petrobras on the risk areas; this will cost \$400,000. This figure was considered excessive and was blamed for the lack of interest on the part of many companies in submitting proposals for petroleum exploration in Brazil.

Another amendment in the new draft will consist in extending the same conditions specified for the discovery of petroleum to natural gas. In the draft that was used as basis for the current contracts, the discovery of gas implied subsequent negotiations and there was no immediate guarantee of the right to future production and the procurement of any kind of remuneration. In the new contracts, rights pertaining to gas will be spelled out from the very beginning.

#### Area

For the second round of bidding, Petrobras will include only areas located on the Continental Shelf, leaving for another phase the possibility of offering blocks situated in the terrestrial sedimentary basins, especially in Amazonia and in Parana. For these areas it will be necessary to determine more attractive conditions in order to increase the number of enterprises interested in prospecting.

New companies, in addition to the 44 qualified on a preliminary basis the first time, will not be admitted to this second round of bidding. This is because, according to Petrobras, that number included the biggest and most important companies in the international petroleum industry; it is not necessary to promote any further authorizations which would require a time consuming examination of the necessary reports.

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CSO: 3001

## BRAZIL

### REPLACEMENT OF POWER PROJECT BOARD MEMBER ASKED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Mar 77 p 30

[Text] The secretary of communications of the State of Sao Paulo, Major Ismael Armond, yesterday confirmed that Governor Paulo Egydio Martins has asked President Geisel, during the inauguration of the Capivara Hydroelectric Powerplant, on the 11th, to replace Professor Lucas Nogueira Garcez with the president of CESP [Sao Paulo Powerplants], Luis Marcello Moreira de Azevedo, on the Board of Governors of the Itaipu Binational Company. Ismael Armond denied that the request was political in nature although that was the opinion of Sao Paulo political leaders and government officials connected with the country's energy sector.

Deputy Horacio Ortiz, of the MDB [Brazilian Democratic Movement], thought that it was "lamentable" for Luis Marcello to bring up "an attorney who will replace a professor and department head in the field of waterpower and sanitation, who is internationally known as an expert on dam construction projects." The member of Parliament blamed "unknown reasons" for the request made by Governor Paulo Egydio Martins and addressed to President Geisel; he said that the suggestion of the name of Luis Marcello "is nothing more than a reward for the president of CESP, primarily because, during his term of office, he achieved something that no other president had ever achieved: bust up two big earth dams on the Pardo River."

Horacio Ortiz, who, together with Engineer Fernando Doria Passos is leading a protest movement at the Engineering Institute, believes that "now, with the replacement of the professor by the lawyer, the Paraguayans will have to take their hats off to the Brazilian Government." Later on, Horacio Ortiz concluded: "The Paraguayans should not be surprised over these changes. In the final analysis, they should realize that things are different in Brazil and that there is a reversal of values: the president of Eletrobras [Brazilian Power Companies, Inc.]--the principal executive agency for national energy policy--is an obstetrician instead of being an industrial engineer."

The reference made by Horacio Ortiz to the Paraguayan reaction was also made by other officials in the sector, according to whom the departure of Garcez and Mario Bhering will be likely to displease the engineers and the government of that country. "Toward the end, we had a perfect setup," concluded these officials.

Ismael Armond tried to play down the decision made by Paulo Egydio, explaining that the governor decided that the state's representative in the Itaipu Binational will always be the president of CESP. That standard, said the major, "is logical, healthy, and necessary for the state which is interested in the Binational Corporation because it will have to buy energy from the hydroelectric powerplant when it is in operation."

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CSO: 3001

BRAZIL

WOOD PRODUCTS TO BE EXPORTED TO NIGERIA

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 15 Mar 77 p 33

[Text] A contract for the export of manufactured wood products to Nigeria, to run for a period of 5 years, with a minimum delivery of \$7 million per year, has just been signed by Bergamo, a Brazilian enterprise established in Cumbica. The manufactured articles will be used in housing units which the Nigerian Government is building to improve the housing standards for a portion of the country's population.

The first shipments under the sales volume of \$7 million for 1977 will begin to be made during the next several days. According to information released yesterday, Bergamo has been working for three years in an effort to develop new sales outlets for its products abroad. At this time it is carrying out a program together with the Brazilian Government to export some of its manufactured items worth \$100 million over the next 5 years.

To step up its activities abroad, the enterprise has set up two branches: Bergamo Trade and Bergamo Industries. The first one, with headquarters in Geneva, has the purpose of developing markets in the Far East, Europe, and Africa. The second one, established in the United States, operates directly on the North American market.

The Latin American market is now being studied and explored by the parent company. The enterprise has a nominal capacity for processing 200,000 square meters of composition board per month.

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CSO: 3001

## BRAZIL

### CONSTRUCTION INDUSTRY PROBLEMS ANALYZED

#### Construction Industry Crisis Avoidable

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 Mar 77 p 68

[Text] Many layoffs and a large part of the financial difficulties hitting operators in the civil engineering construction sector--according to statements by government sources--could have been avoided if the government, some time ago, had provided impetus for the National Commission on the Civil Construction Industry. Established in 1975, the Commission's objective is to facilitate contact between the government and private industry to solve the problems in this sector--but this has not been happening.

The desire to reactivate this commission, expressed by the secretary general of planning, Elcio Costa Couto, was well received by Sinicom (National Union of the Highway, Bridge, Dam, and surfacing construction industry). Jorge Luis de La Rocque, a representative of that union, expressed the hope that "the dialog will start up again to the benefit of the government and business." The statements by Costa Couto on this point were also well received in government circles.

The secretary general of planning said that his idea is "to give the commission prestige and to use it as a communications channel between the government and private industry in order better to keep tabs of this sector during the year." In the view of government engineers themselves, this keeping track of this industry, if carried out since 1976, would have prevented the economic difficulties which the shutdown of the Steel Railroad, by the government, caused in enterprises charged with its construction and, indirectly, the layoffs deriving from the closing of these projects.

Communication between civil construction company operators and the government was restricted to the Ministry of Labor which however does not have any decision-making powers with regard to the companies, confining itself to informing the government, rather belatedly at that, on any fluctuations that have become known to it. In this case, the commission would be an adequate agency because resolutions are sent to the minister of industry and commerce and can then be rapidly turned into government acts.

In addition to permitting a picture of the projects sector, the National Civilian Construction Industry Commission will be the forum for demands from the private sector and, for the government, it will be an information center which would enable the government rapidly to take measures with regard to materials, investment items, markets, enterprises, competition, etc. But even the secretary general of planning admits that the commission has not yet attained its purposes.

In the opinion of the commission's executive secretary, Rosendo de Souza, "it is difficult to keep up with all of the events in the civil construction sector which is widely scattered; the construction sites are moved around rapidly and there is not enough time to study the problems." In his opinion, the difficulties spring from the lack of personnel, fund allocations, and information on the commission's operations.

#### Construction Industry Unemployment Predicted

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 6 Mar 77 p 52

[Text] The civil construction industry in Rio Grande do Sul is not able to absorb even the small portion of almost 5,000 workers who will be unemployed as a result of the total closing of highway construction projects in the state. This was pointed out yesterday, in Porto Alegre by the president of the Civilian Construction Union, Mario Maestri. "The same factors," said Maestri, "which led to the drastic restrictive measures imposed on highway construction also have hit the building industry and we will soon likewise be laying off workers here."

According to Maestri, "civilian construction last year operated with a 20 percent manpower shortage but now there are no jobs for anybody." For Maestri, the hope resides in the promise made by Finance Minister Mario Henrique Simonsen, to the effect that the economy would be normalized within 3-4 months.

"But," concluded Maestri, "if this does not happen, then we will indeed have a profound national crisis."

#### Meeting

The representatives of the heavy construction unions of Rio de Janeiro, Sao Paulo, and Minas Gerais will seek to work out a definition for the official public works program for 1977 starting tomorrow in the course of the debates to take place in Rio with the ministers of planning, of transportation, of the interior, and of labor as well as the directors of the government enterprises. For the representatives of the unions, this meeting is a fundamental one because "only if we know the official programming will we have the conditions for living with the crisis and avoiding a surprise." The meeting will end on Thursday.

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CSO: 3001



CHILE

GOVERNMENT REITERATES RESPECT FOR HUMAN BEING

Santiago LA TERCERA DE LA HORA in Spanish 11 Mar 77 p 21

[Government statement dated 10 March 1977]

[Excerpts] In a lengthy public statement issued last night by the Directorate of Information, the government reiterated its respect "for the integrity of the human person" as well as "the right of each individual to seek the clarifications he deems appropriate from the courts" in connection with charges concerning cases of missing persons in Chile.

The complete text of the nine-point communique reads as follows:

In view of the resurgence of the campaign to confuse the public that is being carried on from outside as well as inside the country by sectors linked to Soviet imperialism and others whose boundless desire for power is causing them to collaborate in this deplorable action, the supreme government declares:

1. The citizens are aware that from 11 September 1973 until the end of 1975, the Armed Forces and the Forces of Order were obliged to engage in various battles with armed extremist elements and that members of the military organizations as well as violent elements were killed in the struggle.
2. Many of the extremists who were killed were not claimed at the time by their relatives and friends. As is publicly known, identification was made impossible in many cases by the fact that the fallen extremists were carrying several identification cards and other documents that proved to be false. Added to that is the fact that several extremists and agitators have fled Chile or are remaining hidden, while others have changed their identity so as to operate clandestinely.
3. The supreme government, inspired by the basic rules of respect for the integrity of the human person, has always respected and will respect the life of every Chilean, including those who have joined the faction of violent

forces betraying the fatherland, provided that they surrender without weapons to the Armed Forces and Forces of Order.

4. The supreme government has always respected the life of the extremist or the individual preaching violence when that person has surrendered without weapons to the authorities. Good examples in this connection are those of Luis Corvalan, who was arrested while he was hiding under a bed, and Carmen Castillo, whose life was saved with a transfusion of blood donated by Armed Forces personnel in a military hospital after she was wounded in an armed confrontation. She is now in a foreign country.

The same deferential treatment has been accorded all those arrested, who on the whole enjoy absolute freedom. Many of them use that freedom to attack our fatherland without any danger to themselves, especially from abroad, and openly serve the totalitarian purposes of Castro-Soviet communism.

5. Public opinion must also keep in mind that in all countries a certain percentage of the people disappear every year. They constitute a statistical record accepted as normal in every nation in the world, and the reasons for those disappearances are extremely varied in nature, but that fact is not exploited to gain publicity, as is being done in the current case of Chile.

6. The supreme government respects the right of each individual to seek the clarifications he deems appropriate from the courts. It cannot be acceptable, however, that in the exercise of that right, professionals who are supposedly honorable and upright should take advantage of it to stir up politicized people in order to influence the court's decisions or in order to provoke grief and confusion in public opinion.

7. The supreme government energetically rejects any act of self-seeking propaganda aimed at making a negative impact, whether abroad or on domestic public opinion, and it deplores the fact that these incidents appear to involve individuals who, because of their investiture and position, ought not to encourage or stimulate sectors interested in distorting the true image of Chile.

8. Moreover, it is extremely surprising that nations traditionally friendly to Chile should join with countries which systematically and with impunity violate human rights and attack the survival of the free world.

9. Lastly, the supreme government publicly denounces these facts before the country because of their seriousness and because they threaten to harm the gigantic task of reconstruction and national security in which the authorities and the citizens are engaged. Because of this, it gives final notice to those who pursue these unspeakable purposes or serve them that it will not hesitate to apply the legitimate principle of authority with maximum energy and as often as necessary in order to preserve and ensure the conditions of peace, tranquillity, and order in which the activities of all Chileans are being carried on today.

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CSO: 3010

NATION EXPECTED TO RETURN TO PRECRISIS LIVING STANDARD

Santiago EL CRONISTA in Spanish 25 Feb 77 pp 8-9

[Report on interview with Alvaro Bardon Munoz, chairman of the Central Bank, by Manuel Jose Gamonal; date not given]

[Text] "We Chileans will have realized by the end of this year that we have returned to the standard of living we had before the crisis through which the country has passed."

He says it without showing any great excitement of the sort that might be felt by someone announcing that a patient the size of Chile was about to be "discharged from the hospital." And he says it that way because Alvaro Bardon Munoz, 36, married to Maria Angelica Calvo, by whom he has three children, knows that the effects aimed at when our country's current economic program began are being achieved.

Economists, whom other mortals regard as being cold machines for "administering poverty"--as someone once described them--are in fact only professionals who must work--and that is the right word--with very special material. Poor work by an economist, unlike that done by a physician, does not result in immediate death, and it is precisely the prolonged suffering that makes those affected react against him.

Alvaro Bardon talked to EL CRONISTA in his office--which is more luxurious than that of any other high government official--at the headquarters of the Central Bank. He reached his post as chairman of the Central Bank following varied studies that began several years ago at the Hispano-American Secondary School, where he received his secondary education.

His master of arts degree in economics was earned at the University of Chicago and is the fruit of specialized studies which began at the University of Chile's School of Economics, from where he graduated with a degree as a business engineer. Those studies were strengthened by his stay at the Escolatina (Graduate School of Economic Studies).

After that, he remained at his university's Institute of Economics, where he worked as a researcher. Later he joined the Central Bank as an economist

and remained there until 1971, when he left for political reasons related to basic disagreements with the economic model of that time.

From his position as director of the Economics Department at the University of Chile, he examined with scientific rigor the entire economic activity of the Marxist government and watched with dread as the country was led into bankruptcy.

In 1975 the president of the republic, Gen Augusto Pinochet, called on him to become deputy chairman of the Central Bank in close collaboration with his old friend and teacher, Pablo Baraona, who had been appointed chairman of the bank. When Baraona joined the Ministry of Economy, Bardon assumed full responsibility for the monetary policy being pursued by the bank of issue.

The presence in the government of a team of professional economists who are all from the same school of modern doctrine and who act with the greatest cohesiveness ever achieved in Chile is what brought Bardon to public posts, since he is one of those "modern Chilean economists" liberated from the ECLA [Economic Commission for Latin America] models which so dazzled everyone for several years.

His wife is satisfied with her husband's work, but deep in her heart she wishes he had another job that would allow him to come home earlier and spend more time with her, their two little daughters, and their young son, who is only 3 years old and does not understand much when his sisters remark that "daddy was in the newspapers and on TV."

#### From Social Matters to Economics

[Bardon] "When a person leaves secondary school, his future is not very clear, even though certain concerns may predispose him to a certain activity and certain abilities may smooth the way. I got a secondary school diploma in mathematics, because I had some proficiency in that area... although now I don't think I have any at all.

"I was pondering whether to go into engineering or economics, and I chose the latter because it seemed to have a somewhat closer connection with social and community problems than is true of physics, which is more abstract and more removed from people.

"When you study economics, you realize that it is not what you thought it was when you first took it up, since it is a science with a theory that is also very abstract." And with the plain speaking that reporters have come to know and enjoy, he explained further: "And some parts of it are very boring."

He said, "But the most important thing is that it does not give definite answers for solving the problems of the community; what it provides are tools for reflection and analysis, nothing more. And this is because reality is not a matter of purely economic variables. There are also cultural problems,

tradition, and social policies. Reality is much more complicated than the two curves that take shape on the board."

This economist is the type of man who, when he lived almost directly opposite the El Llano Stadium in San Miguel, "played soccer and tennis and went swimming." He said, "Unfortunately, I no longer engage in any sports, but I am thinking of taking up tennis again." And he laughed when we reminded him that he has a high-level precedent for doing so in the person of the minister of finance, Sergio de Castro.

#### Back From Christian Democracy

In the discord caused by loss of what the government represents for a group or political party, Bardon has been mentioned as one of those "expelled" from the Christian Democratic Party. "I never was, since I did not disengage myself from partisan political life until a short time ago." And he explained why:

"When a student is completing his studies in the humanities, he has political concerns. I was always moderate, anticommunist, and centrist in politics." He explained himself further by saying that in those years there were only two groups in the center: "the Radicals and the Christian Democrats."

"As my training as an economist progressed and I gained more experience, I was able to see more and more clearly that Christian Democracy was moving toward a pattern of strong state control in the economic area. And there I began to have some disagreements with it."

He explained somewhat further when he told us that "I liked European-style Christian Democracy, such as that existing in Germany, where it is a moderate political movement placing great emphasis on the freedom and rights of the individual, private enterprise, private ownership of the means of production, a free economy, and so on. That political ideal became reinforced in my case by training in economics and the experience I was gaining as I saw that the state enterprises in Chile operate very poorly, that they allocate investments improperly, that they waste their resources, and so on. It is then that one sees that the country is being reckless with its opportunities for achieving development, resolving the problems of poverty, and so on."

He continued his remarks concerning his political ideal and the time he spent with a party: "You reach an age when you begin to have a more independent opinion, and you begin to question things that you never doubted before because they came from people you respected. When you begin to do your own independent thinking, you begin to disagree."

"Since Chile showed a marked evolution toward socialism in the economic area and in practically all the political movements, including Christian Democracy, the natural thing was to begin acting independently."

## Modern Chilean Economy

The difference between two tendencies in economics in the world has been expounded upon in various publications. That difference is said to have reached Chile and become more severe during the application of the current "Chilean model."

Bardon explains, "In the modern world and in modern universities, it is almost impossible to speak of tendencies in economics; what exists in fact is an emphasis on the study of certain subjects.

"The University of Chicago is a strong school in the study of monetary problems, while Harvard, on the other hand, places more emphasis on tax problems.

"In Chile the schools of economics were greatly influenced at first by the ECLA with its model of 'inward' development, strong state control over activity, and to some extent the charge that private enterprise was inefficient.

"That model once had a strong influence at the University of Chile, but not long ago the orientation there began to change when new people came in who had studied in the United States, and they gave the teaching a more scientific character. All of that happened in the 1960's. Today it is a very orthodox school--in other words, it is a school of economics that teaches economics.

"The School of Economics at the Catholic University probably adopted a more modern concept of economics teaching at an earlier date, practically when it started the exchange programs with the University of Chicago in the 1950's. That gave rise to a very strong core whose members included Sergio de Castro, Pablo Baraona, Rolf Luders, Ernesto Fontaine, Mario Corbo, and Dominique Hachette. The core constituted by that group distinguished itself by its rigorousness in the study of economics and by the force with which its members defended a more liberal approach in economic matters, since in those days the structuralist ECLA approach prevailed at the University of Chile. It was in that period that the nickname of 'Chicago boys' was born."

## ECLA Delayed Progress

[Question] "Do you mean that the ECLA was responsible for the low level of development achieved by Chile in the past 30 or 40 years?"

[Bardon] "I feel that the ECLA--the Economic Commission for Latin America--formalized a model for explaining real events that had already been occurring in Chile and in other Latin American countries such as Argentina, Uruguay, and Brazil.

"In 1929, the various economies in this part of the world began to be nationalized to a great extent. The state played a very important role owing to the severe recession of 1929, and from then on the state began to acquire great predominance: it got involved in the social question and in welfare,

education, health control, and so on, and it developed a strong apparatus for that operation.

"When the ECLA began proposing its models in 1949, what that really amounted to was a rationalization or theoretical justification of the evolution that those economies had already been bringing about. When such evolution is justified in any way with arguments and a model is constructed, the trend is then reinforced.

"In the 1950's, most of the intellectuals in Chile--and some of them have still not changed--began invoking the ECLA patterns to explain in part what an economic policy in our country ought to be and also what the evolution of the Chilean economy had been.

"But now that is being called into question to a great extent, because a new generation of thinkers has appeared, especially in the field of economics, and the new thinkers have begun to apply what modern economic theory teaches concerning the way in which an economy operates. The ECLA has lost a great deal of influence because the inward-development model, with its explanations of inflation and agricultural problems, has been exploded by the concrete experiences in this part of the world, which have been unsuccessful. Where economic policies along that line have been implemented, it has not been possible to accelerate economic development or to overcome the problems with the balance of payments, more inflation has been generated, and so on.

"In contrast to this is the experience in all the countries in the Far East. Influenced by the Americans, they set up models for 'outward' development by developing exports, competition, private activity, and so on. Since World War II they have achieved very high rates of development, and they are the strongest economies in existence today. Also contributing to this is the German experience since World War II: the development of the socially oriented free market economy in Europe, which has been successful. The experience in our part of the world looks very bad in comparison with that in Japan, South Korea, Taiwan, and so on."

#### Alessandri Experience

Prior to the country's current administration, there was an unsuccessful attempt to rally the levels of activity within a modern economic pattern. It occurred when Carlos Massad, Jorge Cauas, and Ricardo French-Davies--who, "although to the left politically, is a good economist"--were at the Central Bank. The policy of periodic devaluations was timidly begun at that time. This occurred during the Christian Democratic administration, which did not resist the pressures to move ahead with a gradual tariff reduction that was also proposed by those professionals.

[Bardon] "Jorge Alessandri's government was an administration that tried to strengthen private activity and generate a freer market and a structure of more rational prices, but a number of old ideas remained, and the result was

that the model was not consistent. One of them, for example, was that the exchange rate was to remain unchanged.

"I am convinced that if they had adjusted the exchange rate with some regularity, the economic experience under Alessandri would have been quite good, since it could have halted inflation and might have resulted in strong development. But for some reason that I do not understand and that no one can explain satisfactorily even today, they left the exchange rate the same and had a crisis in the balance of payments that changed the course of that experiment.

"The other aspect which differentiated that experience from a modern economic policy was the relatively sizable use of subsidies. An example of this is construction, which was subsidized to a great degree.

"But I believe that in general it was a good experience; it was a more or less serious attempt to put more rationality into the national economic policy."

"Stale Economists"

One of the chief criticisms leveled against the economic team is that it is made up of a group of very out-of-date economists struggling to apply an economic policy that was in vogue in Great Britain in the 19th century, but which no one today would dare propose as valid without feeling ridiculous.

[Bardon] "I believe that accusation leaves at least two things out of account: first, what Chile is today, and second, the way in which modern economies operate.

"Chile is a socialist country from the standpoint of its economy. The state makes 70 percent of the investments directly. Government expenditures make up 43 percent of the national product, and that is a huge figure. Recent studies of the country's 100 largest firms show that 70 percent of the assets are in the state's hands.

"To say that Chile is adopting 19th-century liberal capitalism is, to say the least, to be unaware of what Chile is. All education and all health care are run by the state. When 60 firms are transferred from CORFO [Production Development Corporation] to the private sector--a not very significant fact--that is still a long way from setting up a society based on private enterprise or one of a capitalist cut.

"If we look at most of the economies in the world, we see that they are economies which have been doing for 20 or 30 years what Chile is trying to do today. For example, private financial activity--the private capital market--is something that has been customary for a long time in the European and Far Eastern countries and in the United States. Uncontrolled interest rates are a normal thing in all those countries. The fact that there are uncontrolled rates of exchange--no exchange controls--is also to be noted as the usual thing in those nations, and strong development by private enterprise is a normal thing.



"Everything that we are now doing looks like the heresy of trying to return to the situation that existed in Great Britain in the 19th century, but the truth is that all Chile is doing is denationalizing to some extent a situation of 100-percent socialism in the economy.

"In some respects, Chile is much more socialist in character than countries such as Poland and Hungary. In Poland, for example, agriculture is private, while in Chile at least 25 percent of the land is managed by the state.

"If you were to show someone the characteristics of Chile and those of Poland or Yugoslavia, but without telling him the names of the countries concerned, I believe that Chile would be in the middle: it resembles a socialist country more than it does a country with a free economy. Everything said to the contrary is a caricature or reveals ignorance of what Chile is and of how free market economies operate."

#### Growth Requires Smaller Economy

There are others who, while agreeing with the policy in its essentials, feel that the dose of medicine administered was so strong that "the patient was lost."

[Bardon] "The situation in Chile at the beginning of 1975 led many people to think that there was no way to resolve it. It is known that at the end of 1974, many enemies of the military government settled down to wait for the government to be overthrown, because the crisis in the balance of payments was absolutely impossible to overcome.

"What was done in 1975 was to design an economic policy that would make it possible to put the balance of payments in equilibrium and reduce inflation. Since the magnitude of the imbalances was so great, the effects had to be really extraordinary in order to correct the situation, and that they certainly were.

"I do not believe that the prescription was exaggerated.

"If we look at the case of the United States, which is a somewhat more solid economy than this one"--he said with a touch of irony--"we see that there, in order to reduce the inflation rate from 12 to 7 percent annually, the unemployment rate in the cities reached something like 9 or 10 percent. One may wonder whether that was exaggerated or not.

"And wherever we look we see the same thing, since a restrictive policy is necessary in order to correct a deficit in the balance of payments. That is the case today in France, Italy, Mexico, Great Britain, and so on, and they, too, have economies more solid than ours. It was too much to expect that Chile would be able to correct a much more deep-rooted and serious situation without producing unemployment, for example."

[Question] "Is there not another formula that would also be technical and fair?"

[Bardon] "There are people who say there is, but I have never known of one being applied. What I have seen in Chile, in particular, are people who promised to reduce inflation without unemployment, and what they achieved was more inflation and more unemployment.

"In order to resolve a deficit in the balance of payments, the economy has to be slowed down. That is the only way to reduce imports and increase exports. A balance of payments cannot be corrected while also maintaining the growth rate, because then the imports keep on rising."

#### Chile Growth Rate of 7 Percent Annually

Some people who have expressed their criticism of the way in which the economy is being managed say that patterns for a country's growth exist, but that Chile has moved dangerously far from those patterns by the way in which its economy is being managed.

[Bardon] "The truth is that there is no pattern or anything objective in this regard. If Chile grows by 7 percent this year--and that is possible--there is reason to expect that the Chilean's standard of living by the end of this year will again be what it was before the recession.

"On the basis of the figures available, there are experts who estimate that the drop in income experienced by Chile in 1929 because of the recession of that period was not recovered until 1952, the year in which the income per capita returned to its pre-1929 level.

"I believe that Chile is going to be on a good footing by the end of this year as far as the standard of living is concerned. The unemployment rates should return to their past levels--that is, from 7 to 8 percent--and we will have recovered the levels of real earnings, which are increasing rapidly.

"But in addition to that, we are going to have an economy with a different structure that will be much better adapted to rapid development, with a better price structure and a better allocation of resources, with no problems in the balance of payments, and with inflation back down to the level that existed before. And this will occur toward the end of this year or the beginning of next year."

#### Moderation With Credit

What is the immediate future of credit for the reactivation or readaptation of production? "I believe that the strong recovery noted in the second half of last year was probably due to the fact that real wages began to rise more rapidly and to the foreign trade policy, in the sense that the drop in the exchange rate generated much more favorable expectations that made more rapid growth possible. But when expectations fall, the prices that the sellers

tend to offer move more moderately than the aggregate demand, and the result is that the economy limbers up more rapidly.

"When an effort is being made to make the economy grow and recover with a reduction in inflation, there has to be considerable moderation in monetary expansion; you can't simply issue money at any rate at all just because you feel like it. So far it has not been possible to create a medium-term financing mechanism that is compatible with a reduction in inflation. We are making studies to see if it is possible, but naturally, nothing spectacular is to be expected. If more credit were made available through the banks, the most probable offset to that credit would be issues by the Central Bank, and as a result inflation could not decline.

#### Future of Capital Market

"The idea is to have a capital market with institutions that are sufficiently solid, and because of that, the capital requirements for financial institutions have been increased in such a way that in the future we will have banks and financial institutions that are relatively large in size, and the individual who runs a bank or a financial institution will have to be capable of raising 3 million dollars in capital.

"This provides security for the saver and is a guarantee of greater reliability. We cannot have a capital market unless we form an elite of bankers who really operate like bankers and unless we have adequate control by the Superintendency (of Banks and Financial Institutions) and definite capital requirements.

"The last financial reform was an attempt to increase the stability of the capital market. It is not a question of winding up with two or three institutions. We think that there will eventually be quite a few financial institutions in Chile. It is necessary to consider foreign financial institutions, which participate in the domestic capital market because they lend us money. It is a matter of generating a more competitive system with Chilean units that are strong and open to foreign competition, the purpose being to prevent a monopolistic utilization of banks or credit.

#### Shortage of Savings: High Interest Rates

"The interest rate in Chile is high for the following reasons: first, available savings in the country have decreased, and they have decreased because of the drop in the level of income: savings are a function of income. Second, the big savers in Chile used to be the private firms and the national treasury, but now, with the deterioration in the tax situation and in public and private firms during the time of the Marxist government, the savings margins that used to exist have disappeared because the firms were left practically with no working capital.

"In the third place, last year we had a decrease in external savings, which basically is the deficit in current account in the balance of payments. We

once had a surplus in that account, and thus an important source of savings disappeared.

"When savings decline, the supply of credit falls, the demand rises, and as a result the interest rate climbs.

"Moreover, there are monetary factors that explain the high interest rate. In October and November, monetary expansion was reduced, generating insufficient liquidity and raising the interest rate. When the rate of inflation is falling, the real interest rate is automatically high.

"For reasons of stabilization, access to external credit has been restricted (credit cannot be brought in for less than 2 years), because that credit is reflected in money. Another cause explaining the high interest rate.

"The fact that the capital market is segmented is another reason for the high interest rate. It is not a single market channeling the entire supply of and demand for credit at a single interest rate. One portion is represented by credit in foreign currency through the banks, and another consists of refinancing provided by the Central Bank.

"If we could 'desegmentize' the market and increase the contributions in external credit, then when the economy grows, the firms increase their capitalization, and the national treasury increases its savings, the interest rate will fall. It will not be necessary to apply monetary pressures so frequently, and this too will generate a more normal interest rate."

And what is a normal interest rate for Chile?

"A normal rate should be one IPC [consumer price index] plus 12 or 14 percent per year. It must be remembered that it is not correct to speak of one interest rate, since there is a spectrum of interest rates in an economy such as Chile's."

#### Imports Moderate Prices

"The relaxation with respect to imports has had the effect of curbing price rises. Moderation is now being practiced by producers and businessmen, because they know that an imported product can join the competition and undercut their price.

"That is generating an indirect form of control over prices that is quite useful and making it easier to reduce inflation.

#### Tariff Reduction

"The competition that the tariff reduction introduces into national production forces the latter to adapt and to try to concentrate on improving its quality.

"We are observing firms that are adapting by improving their production levels and reaching agreements with foreign firms, bringing in new technicians, improving models, and so on, and concentrating more on exports.

"In other words, the tariff reduction has had quite good effects, and contrary to what was said at the time, economic activity has not suffered. Last year there were big reductions, but activity did not suffer. On the other hand, the firms have been forced to become more efficient, to produce items of better quality, to provide better service for their customers, and so on.

#### Dollar Adjusted for Inflation

"The price of the dollar will have to continue being adjusted more or less in line with domestic inflation and the specific situation in the balance of payments. This has been and will continue to be the policy with regard to the exchange rate.

"The Central Bank cannot predict the exact course that the exchange rate will follow, because the rate is a variable that must be continually adjusted to the rest of the economy.

"What is necessary is to look at the rate as an external function so that real interest is not lost and also to watch the behavior of foreign trade to see whether it is generating a surplus or a deficit, and on that basis to make moderate adjustments to the exchange rate."

At the conclusion of our long interview, we took our leave of the chairman of the Central Bank with a feeling of assurance as to the results of what is being done in the Chilean economy.

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CUBA

## CUBA COUNTERS U.S. HUMAN RIGHTS CAMPAIGN

### U.S. Violates Human Rights of Its Citizens

Havana JUVENTUD REBELDE in Spanish 8 Mar 77 p 4

[Article by Miguel Enrique]

[Text] "Demagogic" and "pharisaic" are fitting labels for a foreign policy that is not a reflection of domestic policy. Can there be any doubt about it?

Such is the case at hand.

American Undersecretary of State Warren Christopher told a Senate subcommittee in his country that "concern over human rights will be part of the fabric of our foreign policy.... Let there be no mistake about it: The task of promoting human rights is now an integral part of American foreign policy. It is a long and hard road but our course is set."

Only hours after Christopher spoke to the Senate, the chief of police of Vacaville, California, L. Klenon, admitted, in response to an accusation made by Democratic Congressman Ronald Dellums, that the Central Intelligence Agency (CIA) had experimented in his state with different kinds of narcotics, using prisoners as subjects.

Klenon said that as a result of the experiments, several inmates had had to be hospitalized. "Vacaville prison hospital records confirm this situation," he added.

As previously revealed, at least one of the CIA's guinea pigs, army scientist Frank Olsen, died as a consequence of such experiments with drugs.

What a strange form respect for human rights takes in the United States!

Another case: Priest Ben Chavis, who heads the "10 Wilmington" group, said on a CBS television program that they are totally innocent of charges made against them.

These Black civil rights activists were declared guilty of arson and sentenced to prison terms totaling over 280 years by a North Carolina court. It goes without saying that the trial was a grotesque farce.

But it is not only American domestic policy that contradicts the statements made by Christopher on "concern over human rights."

African delegations to the United Nations have asked that the Security Council give priority to a series of measures approved by the last session of the General Assembly, measures condemning South Africa for its policy of apartheid and the repressive brutality practiced by the racist regime against the Black population.

A UPI cable from the United Nations states: "These decisions include a broad and obligatory arms embargo, economic sanctions and a ban on foreign investors. Informed sources said that the United States, Great Britain and France cannot ever join in such demands."

Based on information from "responsible sources," the aforementioned agency states that American U.N. Ambassador Andrew Young would have no other recourse than to veto sanctions against South Africa if the African nations should insist on them at the March meeting of the Security Council.

This is a difficult set of circumstances for the Black diplomat, who is bent on changing the image of the United States on the African continent.

The United States is obviously seeking a special definition of the phrase "human rights," a far-fetched definition that can be reconciled with its imperialist interests abroad and its class interests at home, an arduous and dishonest task!

#### Carter Undercuts Tyson on Human Rights Issue

Havana JUVENTUD REBELDE in Spanish 9 Mar 77 p 4

[Article by Alberto Landa]

[Text] Brady Tyson, American delegate to the UN Human Rights Commission now meeting in Geneva, expressed his "profound regret" over American intervention in the ouster that led to the assassination of Salvador Allende in Chile in September 1973.

Presidential press secretary Jody Powell immediately demonstrated puzzlement over the statement and said that it had been made without the approval of President Carter.

Immediately thereafter, the American State Department rejected Tyson's affirmation, saying that it had been made in a "personal manner without previous authorization."

Tyson, recommended for the post by Andrew Young, American ambassador to the United Nations, had actually stated that "our statement would be less than candid and truthful to our own people if it did not express our deep remorse over the role played by certain government officials and agencies and private groups in subverting the previous democratically elected government of Chile by means of the coup of 11 September 1973."

But while it is important that an official serving on such a delegation publicly admitted the opprobrious role played by the United States in the events in Chile, one must point out as even more relevant the reaction of the American Government to Tyson's statements, which would not come as a surprise to anyone considering himself honest, since what he said was no more and no less than the truth.

One must also point out something characteristic of all election campaigns in the United States, where many promises are made that will never be carried out or that will simply be ignored.

In October, during one of the televised debates with former President Gerald Ford, Carter said: "I would note that Mr Ford did not comment on the prisons in Chile. This is a typical example.... This administration subverted an elected government and helped to establish a military dictatorship. Last year, under Mr Ford, out of all the 'food for peace' going to South America, 85 percent went to the military dictatorship of Chile."

In other words, President Carter, who wants to set himself up as a champion of human rights and who uses the phrase almost daily in all his speeches, forgets his "principles" when it is convenient to do so and shamelessly contradicts officials appointed by him.

The same thing occurred with the partial or total suspension of military aid to countries such as Argentina, Uruguay and Ethiopia, alleging that such suspensions are due to the lack of human rights in those countries. And yet, for strategic reasons and because of political and economic interests, military aid continues to go to South Korea and other Asian regimes.

That is what counts for the American establishment: matters of interest. It disguises itself as a liberal when circumstances so advise and then supports international reactionaries when it so chooses.

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CUBA

#### MEDIA INTEREST IN CUBAN FOREIGN RELATIONS

##### Cuban Delegation to Ethiopia Concludes Visit

Havana JUVENTUD REBELDE in Spanish 1 Mar 77 p 1

[Text] Addis Ababa, 1 March (TASS)--The Cuban delegation led by Division Gen Arnaldo Ochoa Sanchez has concluded its visit to this capital. During their stay here the members of the delegation met with representatives of the Provisional **Bureau** for the Organization of the Masses and visited a political school attached to this group, as well as several ministries.

Division General Ochoa Sanchez met with the chairman of the Provisional Military Administrative Committee (CAMP), Mengistu Mariam, and presented him with a personal message from the first secretary of the Central Committee of the Cuban Communist Party and the chairman of the Council of State and the Council of Ministers, Comm in Chief Fidel Castro.

The message states that the Cuban people and Communist Party support the Ethiopian revolution and the measures that Ethiopia's leaders are taking in the interest of the people.

##### AALAPSO Backs Korean Reunification

Havana GRANMA in Spanish 17 Feb 77 p 8

[Text] The Executive Secretariat of AALAPSO has issued a call in Havana to its member organizations, to revolutionary organizations and movements and to democratic governments, urging them to support the struggle of the Korean people for the peaceful, independent and democratic reunification of their country.

In referring to the Charter of Pyongyang, which was signed by all the political parties and social organizations of the DPRK and directed towards all the political parties, social organizations and population sectors in the south and to Koreans overseas, the AALAPSO call emphasizes that Korea is a single country, that only the hand of Yankee imperialism

divided it artificially in 1945 and that now it is time for this division, which has brought so much suffering to the Korean people, to end.

AALAPSO fully supports the four point program included in the Charter of Pyongyang to achieve the peaceful, independent and democratic reunification of the Korean people.

The AALAPSO document supporting the Charter of Pyongyang reasserts that the policy of "two Koreas" only serves the designs of imperialism, which seeks to permanently divide the Korean people in order to maintain exploitation in the south and sustain a state of tension in the region.

#### Cuban Ambassador to Guyana on Guyana Radio

Havana GRANMA in Spanish 18 Feb 77 p 3

[Text] The Cuban ambassador to Guyana, Ivan Cesar Martinez, has stressed the growing extent of bilateral relations between Cuba and Guyana in an interview on the Guyana Broadcasting System. When questioned on the strengthening of these ties since the establishment of the Cuban mission in Georgetown 18 months ago, the ambassador said that this helped to consolidate the bonds of cooperation, brotherhood and mutual respect between the two countries.

#### Dominican Republic Delegation on Visit

Havana GRANMA in Spanish 25 Feb 77 p 4

[Article by Rosa Elvira Pelaez]

[Text] A wall poster showing the figure of Generalissimo Maximo Gomez on horseback and carrying an unfurled Cuban flag in his right hand, which appeared in the Argentine newspaper VIVA CUBA on 23 January 1897, will be presented to the Cuban Institute for Friendship with Peoples (ICAP) by the Committee of the **Friends of Cuba** from the Dominican Republic, in a beautiful demonstration of the bonds that unite the two countries.

This information was provided by Euclides Gutierrez, the chairman of the above committee, who arrived here at the head of a delegation invited by ICAP. The delegation also consists of Gonzalo Gonzalez, the secretary of the **organization**, and Andres Abelino, a member of its board of directors.

Euclides Gutierrez pointed out to the press that the discovery of this issue of VIVA CUBA brought great joy to the Dominicans who are friends of our country. He also added that it **increased** our press history and showed one of Cuba's greatest independence fighters. The picture has been reproduced for distribution.

The visitors were received at the Jose Marti International Airport by Wilfredo Rodriguez, the vice president of ICAP, and Luis Morejon, the vice director of Solidarity, and other officials in the organization.

Jamaican Friendship Association President Visits

Havana GRANMA in Spanish 25 Feb 77 p 4

[Article by Rosa Elvira Pelaez]

[Text] Eleonor Wint, the president of the Jamaican-Cuban Friendship Association, has arrived in our capital city, accompanied by association Vice President Leith Brown, on an invitation from the ICAP. The association recently held its annual conference in Kingston.

The two were greeted at the Jose Marti International Airport by Wilfredo Rodriguez, the ICAP vice president, Luis Morejon, the vice director of Solidarity, and other officials in the organization.

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CUBAN SPORTS SCENE AS VIEWED BY 'GRANMA,' CARACAS

'Enemy Aggression' on Cuban Sports Depicted in Film

Havana GRANMA in Spanish 25 Feb 77 p 3

[Article by Santiago Cardosa Arias]

[Text] The full-length documentary film "Deportivamente" (Sportingly) by Cuban producer Manuel Herrera is historic, informative and entertaining, with moments of high emotion and joy. It received a lengthy ovation at its premiere, offered by the Ministry of Culture at the film library of Cuba as a tribute to Cuban film makers during the 16th anniversary of INDER [National Institute for Sports, Physical Education and Recreation].

The 88 minute long color film tries--and successfully, despite being a summary--to reflect how much the revolution has done in the area of sports, as well as the far-reaching social and revolutionary significance of this undertaking, within which sports are truly the right of all our people.

"Deportivamente," which is the fruit of efforts by a team that covered the entire country with camera in hand, exposes the evils of professionalism and the fate that was in store for the outstanding sports figures of the pre-revolutionary era; at the same time it shows the results of mass participation and the successes that we have achieved despite enemy aggressions against our athletes.

The events in "Deportivamente" speak with the eloquence of a filmed testimony and need no further comment by announcers, which makes this an attractive film that we should all see.

Jorge Fraga, the head of Artistic Programming of the Cuban Institute of Cinema Arts (ICAIC), presented the full-length documentary, which was attended by Hector Rodriguez Llompart, a member of the party Central Committee; Rene Anillo, first deputy minister of the Ministry of Foreign Relations; Alfredo Guevara, deputy minister of culture; Jorge Garcia Bango, the president of INDER; other leaders of the organization; two-time Olympic champion Alberto Juantorena; members of the diplomatic corps and other invited guests.

## Robot Nature of Cuban Athletes Noted in Venezuela

Caracas ULTIMAS NOTICIAS in Spanish 3 Mar 77 p 66

[Text] Santo Domingo, 2 March (UPI)--There is an enormous difference between the young competitors from Cuba and those from the other 17 countries that are here for the Central American and Caribbean Young People's Swimming Championship, and the reason could be political.

Their iron-like discipline makes the Cuban youths different in many aspects from their lively companions in the noisy buildings of the Olympic Villa and the pools in which their abilities have been put to the test.

The Cubans have been trained in such a way that the political goal becomes as important as victory itself, and the spectacular statements by some of the tiny Cuban swimmers are sufficient proof of this.

In commenting on the Cuban victories, EL CARIBE reported:

"The triumphs by the Cuban children in the Central American Swimming Championship being held in Santo Domingo have a common characteristic: the political overtones given to the awards, with dedications to the chairman of the Cuban Council of State, Fidel Castro."

"It's amazing the way that these kids have been programmed," said a Venezuelan lady who is here accompanying her 10 year old daughter, who is a member of her country's team.

"Anyone would say that our children are competing with well-oiled machines and not little kids."

Although somewhat exaggerated, her statement seemed to reflect the feelings of many parents of swimmers from other countries towards the almost martial discipline of the polite, pleasant and undeniably tremendous swimmers from Cuba.

Marxist ideology plays a predominant role in this. "I am dedicating this gold medal," 12 year old Cuban star Marcelino Fernandez said, to the Cubans who fell during the Barbados sabotage."

"I won because of my faith in Fidel Castro and the revolution," added Fernandez after his victory in the finals of the 100 meter backstroke, children's class B.

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CUBA

# TAXICAB DRIVERS SHORTCHANGE PASSENGERS

Havana GRANMA in Spanish 16 Feb 77 p 3

[Text] Many readers have written our section to express their concern over a situation in which they have found themselves on numerous occasions. It involves the difficulties that they have in getting back their change from taxicab drivers when paying their fare.

Every day at the beginning of their work day, taxicab drivers receive 5 pesos in change for the necessary transactions. If he runs out of this change, the driver has to take care of getting change at any commercial establishment along his route. Therefore, there can be no justification for him to tell his riders that he has no change.

This matter was dealt with in the National Directorate of Automobiles in the Ministry of Transportation, where we were told that riders are not to accept any justification for not receiving the money that is rightfully theirs.

There is a commercial relationship in taxicab service between the rider and the driver, just as in any other transaction involving purchase and sale, in which the client can demand that he be given the money that is due him. Therefore, in this case the rider must demand that he be given his change if the driver tries to argue him out of that right.

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COMMISSION APPROVES RULES GOVERNING PUBLIC FORCE

Quito EL COMERCIO in Spanish 25 Feb 77 p 3

[Text] The public force, which shall comprise the Armed Forces and the National Police and shall not be a deliberative body, will assume the fundamental mission to ensure national sovereignty, defend the independence and territorial integrity of the republic and guarantee the implementation of the Constitution and the laws, besides keeping vigilant watch over freedom of conscience and suffrage.

Moreover, as will appear in the constitutional project being elaborated by the First Juridical Commission, Ecuadoreans and "foreigners inhabiting the national territory" alike, be they laymen or legal figures, will be required to cooperate in the task of safekeeping national security.

This project will also stipulate that, over and above the permanent Armed Forces, reserve forces shall be organized according to the exigencies of national security.

Basic Criteria

Having studied the composition and function of the public force, the First Juridical Commission decided yesterday to include in its project for developing governmental policy various criteria, which have appeared in previous constitutions under one form or another.

First of all, it proclaimed that the Armed Forces and the national police force constitute the public force, whose mission, organization, preparation and duties are regulated by the respective laws.

Referring to the public force's fundamental mission (safekeeping sovereignty, integrity, independence and constitutional order), the First Commission unanimously agreed that the editing subcommittee should study the feasibility of including, among the duties of the public force, that of cooperating in the economic and social development of the country.

Furthermore, it stipulated that the fundamental mission of the national police will be to guarantee internal order and individual as well as collective security, besides becoming an auxiliary of the Armed Forces.

The constitutional project will also include the principle that "the public force is not a deliberative body," and will stipulate that it is solely the authorities issuing the orders which will be responsible for those obviously at odds with the Constitution and the laws.

It will stipulate, moreover, that military service is compulsory for all Ecuadorean citizens.

#### Presidential Prerogatives

The constitutional project will moreover establish that the "Armed Forces are responsible to the nation" and that the president of the republic is the supreme authority, since some of his prerogatives will be to preserve national security and determine the policies to be followed in this respect; order use of the public force whenever national security and public service require it; appoint and dismiss officers of the Armed Forces and the national police; grant military and police titles and hierarchical promotions in the public force; assume political direction of the Armed Forces in time of war; "reservedly" ratify components of the public force in time of peace and, in emergency situations, call to active duty all or part of the reserve forces; declare a state of national emergency and assume the constitutionally established powers and responsibilities should there arise imminent danger of foreign aggression, international war or serious internal disturbances or catastrophic events.

The constitutional project will also stipulate that members of the public force shall be granted special exemptions; in other words, they shall not be held accountable and shall not be deprived of their ranks, pensions and honors, except in such manner and cases as prescribed by the law.

Lastly, the government policy project of the First Commission will define the stability of the members of the public force and stipulate that no official will grant or acknowledge military or police ranks, except as stipulated by law.

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CSO: 3010



## ECUADOR

### ECUADOREAN-BOLIVIAN INDUSTRIAL DEVELOPMENT PACT SIGNED

Quito EL TIEMPO in Spanish 28 Feb 77 p 5

[Text] The Andean integration plan implies preferential treatment for the two nations of relatively lesser development: Ecuador and Bolivia. For taking proper advantage of the guarantees that these nations have because of this concept, a joint action has been prepared.

According to information provided by the Securities Commission [CV] and the National Financing Corporation [DFN], the foundations have been laid for the development of a system of economic cooperation between the two countries. The objective is the achievement of an accelerated development.

For this purpose, officials of the CV and the Industrial Development Center of Ecuador [CENDES], on the Ecuadorean side, had meetings with representatives of the Bolivian Ministry of Planning and Coordination on the Bolivian side. Various possibilities for a joint action in formulating, promoting and developing industrial projects were analyzed.

Preferential treatment includes some industrial assignments of an exclusive nature in production to those countries.

Recently, in the meeting of the commission in Lima, aspects relative to time periods granted to both countries within the program of exemptions, were ratified, aspects in which Ecuador and Bolivia also have preferential treatment.

#### Agreement

Prior work done by officials of both countries was concluded, after deliberation sessions, with the signing of an agreement aimed at making effective the cooperation with respect to the Bolivian plan for promoting manufacturing initiatives. The document expressed that the two countries, having recognized that in order to achieve development of their respective countries within the framework of Andean integration, there is a need for resolution of a political nature as well as specific work in the economic, social and administrative fields through the entities already mentioned, have agreed to set the terms of reference for a program of mutual aid with respect to industrial matters.

### Basic Lines

According to the information, cooperation will have the purpose of defining the necessary basic lines for establishing an integrated system that includes strengthening the industrial development bank, the creation of a productivity and promotion center, and the execution of a program of personnel training in charge of the DV-CFN and CENDES.

### Three Phases

The work of cooperation will include three phases: during the first phase a basic plan will be prepared on the operations of the industrial development bank and the industrial productivity and promotion center. The second phase will be related to the training in services, which will consist of the visit by Bolivian personnel to Ecuadorean units, while the third, will be linked to the study of the legal and institutional framework of Bolivia in order to recommend the tasks that will allow the attainment of the highest levels of efficiency.

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CSO: 3010

OIL EXPORTS ANALYZED

Quito EL COMERCIO in Spanish 25 Feb 77 p 1

[Text] In 1976, the Ecuadorean State Petroleum Corporation (CEPE) sold its share of crude oil--a total of 12,146,835 barrels--to eight international firms, realizing earnings of \$144,286,630 (approximately 3,607,165,000 sucres), at an average price of \$11.88 per barrel.

The firms purchasing the CEPE crude oil were Hideca, which accounted for 46 percent of the total sales, or 5,552,542 barrels, for \$66,214,187; the U.S. firm Marc Rich purchased 2,736,240 barrels for \$32,124,056; the Colombian firm Ecopetrol purchased 1,259,015 barrels for \$15,347,241; the Philipp Brothers firm purchased 798,097 barrels, accounting for 7 percent of the total sales, for \$9,422,333; Summit Gas purchased 631,332 barrels, for \$7,436,425; Fuel Oil purchased 495,972 barrels for \$5,822,711; the Chilean state firm Enap purchased 434,954 barrels for \$5,132,457; lastly, Tecten T. C. purchased 238,683 barrels for \$2,787,220.

Furthermore, in 1976 the five oil fields of the oriental region produced 67,593,803 barrels, a 16.7 percent increase over the output of the previous year 1975.

The most significant increase of 62.8 percent took place in the Auca field, which was further developed last year by the addition of new wells. The Shushufindi field as well showed a significant 19-percent increase as compared to 1975; so did the Sacha field, with an increase of 18 percent over the year 1975.

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CSO: 3010

## ECUADOR

### GUAYAQUIL PORT EXPANSION WORK BEGUN

Quito EL COMERCIO in Spanish 26 Feb 77 p 1

[Text] Guayaquil, 25 Feb--The physical work of expansion of the maritime port was initiated today, a program that with the total expenditure of \$83 million will allow the country to have in Guayaquil a new port with better conditions than the present by 1979.

The initiation of the work itself was witnessed by the general manager of the Guayaquil Port Authority, engineer Hugo Tovar, during the course of a nautical tour on which he was accompanied by a group of newsmen.

Amphibious dredges with caterpillar treads began to enter the waters of the Cobina inlet to remove material from the bottom, using it in the 60-hectare fill area where the new installations are to be built, and to deepen the branch of the inlet to allow the entry of large-draft ships. The Japanese company Tokura, subsidiary of the bid-winning U.S. company, Raymond, almost finished the installation of a large dredge that will excavate 1 kilometer on the edge of the inlet on which it will build the new port, an extension of the present port, which will be built with docking facilities for container and banana boats, facilities for specialized cargo, docks for smaller ships, open air storage facilities, warehouses for 30,000 tons of sugar, warehouses for transfer of containerized cargoes, tanks for the storage of 20,000 tons of wheat, tanks for the storage of molasses and administration offices, all of which will convert Guayaquil into a port devoted to imports, into a port for import and export of growing national production, according to Tovar.

#### Size

The dredges will work to remove 1,000 cubic meters per hour from the bottom of the inlet so that after 13 months they will have the inlet ready for the large-scale work to be done, although 6 months after the beginning of dredging, the Raymond company will begin to build the projects of port infrastructure in an effort to complete the scheduled delivery within 1,000 days to lessen costs.

On the edge of the inlet will be built 670 meters of docking facilities and 170 meters of bulk cargo installations, along with other installations, completing almost 1 kilometer of docks, equivalent to the same length of the present port, which means that the project means practically the construction of a new port, explained the manager.

#### Thirteen Ships in Docks

The expansion work will allow the port of Guayaquil to hold 13 ships in its docks, seven more than at present, turning the port into the most modern port in South America, declared Tovar. The work has been financed with \$30 million from the port authority itself, a loan of \$33.5 million from the World Bank, \$10 million lent by international private banks, and \$10 million more lent by the government through the National Development Fund [FONADE]. Tovar said that all these loans will be paid by the port authority and that thought is already being given to new expansion work in 1985 when the expansion begun yesterday will be insufficient. The \$83 million will be paid in the following manner: \$61 million for the original contract with the Raymond Company, \$4 million more for an additional docking facility contained in the contract, \$5 million for engineering and management expenses, \$7 million for inflationary adjustments and \$6 million for unforeseen costs.

#### 1,000 Workers

One thousand persons will work on the project, of whom 90 percent will be technical and manual labor from Ecuador with the subsequent positive multiplying effect, he added.

"We expect to deliver the new port to the people of Guayaquil and Ecuador on 9 October 1979, anniversary of the political emancipation of this city," he concluded.

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CSO: 3010

ECUADOR

WHEAT IMPORT FIGURES FOR MARCH, APRIL AND MAY GIVEN

Quito EL TIEMPO in Spanish 28 Feb 77 p 5

[Text] The arrival of 30,000 metric tons of wheat is expected in March to supply the domestic market. As will be recalled, in order to fill the needs of consumption for the agricultural year, a contract was signed with the firm JHK Representaciones S. A. for a supply of grain, after the bids were presented. The initial figure was of 15,000 metric tons in the first shipment and others until a total of 50,000 tons was completed. However, taking into account that national wheat requirements reach 100,000 tons, by an order of the respective ministry that was published in the OFFICIAL DAILY, Ecuagran and Industrial Molinera y Molinos del Ecuador were authorized to sign direct contracts with the aforementioned supplying firm under the same terms stipulated in the first bid for 50,000 tons, for another similar amount.

The conditions are: 50,000 metric tons of hard, red winter wheat in bulk, grade U.S. No 2, better or equivalent, 5 percent more or less at the option of the seller, with a minimum protein content of 12 percent and a maximum moisture content of 12.5 percent.

As was said, in addition to the shipment of 15,000 tons in March, the direct contract of the ministry envisions another shipment of like amount in April, culminating with a 20,000-ton shipment next May. Since the contract signed in direct form by the Ecuadorean mills has the same clauses, shipments of 30,000 tons are expected in April and 40,000 in May. In this manner national demand for wheat will be satisfied.

Prices established for negotiations are: \$124.85 per metric ton C.I.F. Guayaquil for March shipments; \$124.80 for those of April, and \$135.95 per metric ton for those of May.

Without Taxes

The amount mentioned will satisfy domestic requirements for wheat. By Ministerial agreement this transaction will be exempted from customs duties, taxes and other charges.

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## ECUADOR

### BRIEFS

AMBASSADOR TO CHILE--Luis Cabrera Sevilla, a retired general, has been appointed Ecuadorean ambassador to Chile. He will replace Dr Luis Ponce Enriquez, who has been transferred to the Foreign Affairs Ministry. [Quito EL COMERCIO in Spanish 5 Mar 77 p 3 PA]

SPECIAL BUDGET--Economist Santiago Sevilla, finance and public credit minister, made the following statements to explain the planned special budget for 7 billion sucres for this year. The initial goal of a balanced budget of 17.05 billion sucres would have been restraining and would have prevented the completion of many roads, irrigation projects, ports and oil transportation and storage facilities, as well as hospital and sanitary facilities throughout the country. For this reason, the Finance Ministry designated the projects it considers vital to the economic and social development of the country and which will receive funding. The ministry has also had to finance the budget deficit of 1976 which amounted to 1.5 billion sucres. [Quito VOZ DE LOS ANDES in Spanish 0300 GMT 10 Mar 77 PA]

SWEDISH ECONOMIC MISSION--An official Swedish mission arrived here yesterday to hold a meeting with national authorities and to deal mainly with a "negotiable package" having to do with the development of the fishing ports of Manta and Posorja. The mission also has an interest in learning of other development projects in which there is the possibility of Swedish participation. They will also discuss proposals aimed at increasing Ecuadorean exports to that country, it was reported. The mission consists of Sven-Erik Widing, director of the Swedish Export Council; Lars Engstrom, from the Department of Economic and Commercial Relations with Latin America; Rune Borjesjoe, director of the Sknska company; and Karl Ekberg, director of the "Alfa-Laval" company. Also participating in the mission are the Swedish ambassador to our government, Hans Skold, and the councilor of the embassy, Sven E. Jonsson. [Text] [Quito EL COMERCIO in Spanish 26 Feb 77 p 6] 8908

BANANA EXPORTS--Ecuador exported a total of 94,060 tons of bananas during January of this year. According to information issued by the Ministry of Agriculture and Livestock and released through the directorate for marketing of the national banana and tropical fruit program, the following countries purchased the largest amounts of our national fruit: United States 30,128 tons, Belgium 11,238 tons, Federal Republic of Germany 8,809 tons, German Democratic Republic 6,510 tons, Saudi Arabia 6,795 tons and Italy 5,632 tons. Other countries which purchase and consume lesser amounts of Ecuadorean bananas are: Czechoslovakia, Ireland, Chile, Iran, Iraq, Japan, Portugal, Syria, Yugoslavia, Libya, New Zealand and Hungary. [Text] [Quito EL COMERCIO in Spanish 22 Feb 77 p 3] 8980

BREAKDOWN OF OIL PRODUCTION--According to statistical information released by the Ministry of Natural Resources and Energy, the most productive oil wells in the oriental region are those located in the Shushufindi field and managed by the Consortium CEPE [Ecuadorean State Petroleum Corporation]-Texaco. The next richest oil fields in order of importance are those of Sacha, Lago Agrio, Auca and Aguarico. Last year, according to the official data, the 41 Shushufindi oil wells produced 31,587,010 barrels. On the other hand, the 70 working wells of the Sacha field only produced 19,600,410 barrels. The production of the 14 Lago Agrio wells reached 8,568,489 barrels. The field with 16 wells produced 4,353,425 barrels and the 6 Aguarico wells produced 3,484,469 barrels. According to this statistical data, the Auca field increased its output for last December by 62.8 percent over the figures for the same 1975 period. Meanwhile, the output of the Lago Agrio hydrocarbon field decreased by 5.4 percent compared with the same 1975 period. [Text] [Quito EL TIEMPO in Spanish 25 Feb 77 p 2] 8980

CSO: 3010



GOVERNMENT REORGANIZATION PLANS DETAILED

Mexico City EXCELSIOR in Spanish 14 Mar 77 Special Supplement p 4-B

[This Special Supplement, published by the Secretariat of Planning and Budget, appeared in all major newspapers in Mexico City on 14 March. Since its pages were not numbered, we have arbitrarily assigned them numbers as p 1, p 2, p 3, p 4-A and p 4-B--p 1 serves as front cover, p 2 and p 3 give detailed discussions of some aspects of the reorganization plans, p 4-A serves as back cover and carries the attribution to the Secretariat of Planning and Budget; p 4-B, which appears in translation below, is a summation of the whole program to date.]

[Text] During the months of his campaign, Jose Lopez-Portillo toured the country and spoke with the peasants, workers, teachers, women, businessmen, children, state governors, municipal mayors, students, and everyone. He heard truths and falsehoods and observed great contradictions. For example, despite the fact that Mexico is a country with more than 9,000 kilometers of coastline and also more than 2 million kilometers of territorial sea rich in food products, a large number of the country's inhabitants do not get enough to eat. Mexico possesses varying climates, conditions for increasing its agricultural and livestock production, minerals of all kinds, industries, petroleum, and a large population of young people eager for change, but despite all that the national territory contains, its inhabitants do not enjoy the benefits of its resources equally. Not all Mexicans have housing that meets the minimum requirements for sheltering a family, and neither do all Mexicans have the medical care, the opportunity for higher education, the job, and the income they need for living decently.

In response to this situation of needs and sufficiencies, of reasons for pride and reasons for shame, President Lopez-Portillo proposed a government program for satisfying the population's basic needs so that all Mexicans will have work, food, housing, health, and education. In order to increase production, we will not simply produce more; we will produce what we really need, make better use of the country's resources (this means viewing land, petroleum, and sea as resources that we must exploit to meet our immediate needs but also as reserves that we must take care of for the future), and improve the organization of public administration so that the government institutions will accomplish their tasks efficiently and honestly.

Furthermore, the present government has set in motion a system for evaluating the results (in other words, for knowing which officials are responsible for which actions and the extent to which the program is being achieved) and correcting its course, on the basis of that evaluation, in order to be more efficient.

But the president would not be able to achieve these objectives alone or even with the help of his collaborators. He needs the participation of all Mexicans. To be able to participate, we must know what the government is doing and then combine our efforts and organize ourselves in order to work for our country. Each individual has something to do.

#### Steps Taken To Reorganize Public Administration

Laws constitute the basis of all action by the state, because without them its action would be capricious and dictatorial. The new government felt that for the accomplishment of its goals, some of our laws no longer corresponded to our circumstances and our times. Because of that, its first actions involved the amendment of some laws and the promulgation of others, as follows:

The Law on Budget, Finance, and Public Expenditure. This will permit more suitable management of the public sector's revenues and also provide better control over expenditures and ensure genuine compliance with the objectives and programs.

Amendments to the Organic Law on the Government Auditing Department. This broadens the power that Congress has always had to oversee public revenues and expenditures and establishes provisions concerning responsibility and honesty in the carrying out of government functions.

The General Law on Public Debt. This provides, among other things, that we will have recourse to foreign indebtedness--that is, seek loans from other countries--only to the extent that it is necessary to import machinery and industrial equipment for our economic and social development and also to the sole extent that we are able to repay that debt.

In addition, the Federation Expenditure Budget for fiscal 1977 has been designed with a programmatic orientation, and provision is made for the way in which the government will spend each peso in the course of this year.

And there is one all-important addition: the new Organic Law on Federal Public Administration, approved at the beginning of December 1976. That law authorized the government to reorganize the public administration so as to eliminate the duplication of functions and place under a single authority those functions that had been dispersed, thus achieving greater efficiency within the government and providing the public with more adequate and less bureaucratic service.

## What the Changes Were

### Before:

The secretariats of Presidency, Finance, and National Patrimony were responsible for drawing up the program and budget for government enterprises, while the Secretariat of Industry and Commerce collected the information and statistics needed for that purpose.

### Now:

All those functions will be handled by a single secretariat to be known as the Secretariat of Planning and Budget.

### Before:

There was interference between the Secretariat of Agriculture and Livestock and the Secretariat of Hydraulic Resources.

### Now:

To ensure that food production receives more effective support originating in a single decision-making center, and also not only to manage irrigation districts but also to actually set up temporary districts, the responsibility will be solely that of the Secretariat of Agriculture and Hydraulic Resources.

### Before:

Three secretariats--Industry and Commerce, National Patrimony, and Navy--were responsible for the exploitation and processing of our natural resources and, in general, the promotion of industrial activity in the country.

### Now:

These three important functions will be unified under the Secretariat of Patrimony and Industrial Development.

### Before:

Land and air communications were the responsibility of the Secretariat of Communications and Transport, while the Secretariat of Navy was responsible for civil sea communications.

### Now:

All communications--by land, air, and sea--are the responsibility of a single secretariat: the Secretariat of Communications and Transport.

Before:

Until 2 months ago the supply of drinking water and the installation of sewer lines in the country's towns were the responsibility of two secretariats: the Secretariat of Hydraulic Resources and the Secretariat of Health and Welfare.

In addition, the secretariats of National Patrimony, Public Works, and Presidency shared the responsibility of overseeing the Federal Boards for Material Improvements and the urban development programs.

Now:

In order to develop the new cities and towns and ensure that they receive the appropriate basic services, a new secretariat has been established: the Secretariat of Human Settlements and Public Works.

Before:

The promotion and coordination of broadcasting, moviemaking, and television were activities shared by the Secretariat of Government and the Secretariat of Communications and Transport.

Now:

The coordination of those activities is the exclusive responsibility of the Secretariat of Government.

Before:

The development of foreign and domestic trade was the responsibility of three secretariats and one institute. Import licenses were the responsibility of the Secretariat of Industry and Commerce, the setting of tariffs was the responsibility of the Secretariat of Finance and Public Credit, and the promotion of foreign trade was the responsibility of the Secretariat of Foreign Relations and the Mexican Foreign Trade Institute (IMCE), which itself was an agency of the Secretariat of Industry and Commerce.

Now:

All those functions have been combined under a single secretariat: the Secretariat of Commerce.

Before:

The exploitation of fishing, the marketing of fish, and the development of fishing activity were the responsibility of the Secretariat of Industry and Commerce and the Secretariat of Agrarian Reform.

Now:

In order to stimulate those activities so that the people of Mexico can consume fish inexpensively and also to export the potential offered by their maritime area, the Department of Fishing has been established.

Before:

The national railroad system consisted of the National Railroad, the Pacific Railroad, the Chihuahua-Pacific Railroad, the Sonora-Baja California Railroad, and the Southeast United Railroad.

Now:

In order to improve the quality of service and utilize the equipment and railroad facilities to their maximum capacity, those firms are being merged into a single system known as the National Railroad of Mexico.

Before:

There were 800 semiofficial entities--decentralized agencies, firms, and trusts--engaged in isolated actions with no coordination.

Now:

By a decision of the president, those organizations have been grouped according to their field of activity in order to coordinate them with the appropriate secretariats. For example, those concerned with commerce will be coordinated with the Secretariat of Commerce and those related to industrial activities will be coordinated with the Secretariat of Patrimony and Industrial Development. This is what has been called a division by sectors.

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CSO: 3010

MEXICO

ENVOY COMMENTS ON CANADIAN RELATIONS

Mexico City INFORMEX in Spanish 0300 GMT 24 Mar 77 FL

[Excerpts] Mexico City, 23 Mar (INFORMEX)--"Canada and Mexico are on the same continent. Our ancient history and our mutual interests have followed parallel courses; never in conflict, but not always with a cooperative spirit."

Agustin Barrios Gomez, new Mexican ambassador to the government of Canada, made this statement during a breakfast today with the visiting Canadian parliamentary delegation at this city's Industrialists' Club.

Barrios Gomez added: "Fortunately, the situation between Mexico and Canada has been changing in recent years."

"In terms of bilateral interests," the ambassador stressed, "we have found that they are attractive for both countries. In situations arising abroad which affect the entire international community, we have shared the same goals in most cases."

Barrios Gomez then said, "The truth is that our histories have been very different. Geographically separated by the most advanced economy in the world, we also share the experience of working for development in a closer way and in more significant areas based on that economy. In the Canadian development process, particularly in its relations with the United States and other countries, its problems and ours are quite similar."

"Mexico is on an ever growing path, trying to overcome the big world problems which reflect on its daily activities one way or another."

Canadian ambassador to Mexico John C. Langley, accompanied by his advisers, and other special guests attended the breakfast.

CSO: 3010

MEXICO

COST OF LIVING ALMOST DOUBLED IN 1976

Mexico City EXCELSIOR in Spanish 28 Feb 77 p 1-A, 11-A

[Article by Luis de Cervantes, EXCELSIOR reporter]

[Text] In 1976 the general consumer price index in Mexico City grew by 45.7 percent, and the national consumer price index increased by 48.7 percent, as a result of the peso devaluation which caused a drop in buying power and an increase in prices paid for essential goods.

This can be deduced from the figures released by the Bank of Mexico. In Mexico City consumers suffered the following increases:

--40.9 percent in food, drink, and tobacco; 66.4 percent in clothing, shoes and accessories; 15.1 percent in gross rents, fuel and lighting; 54.2 percent in furniture, accessories, household goods and home care; 27.6 percent in medical services and health care; 85 percent in transportation and communications; and 52.2 percent in education, recreation and entertainment.

Nationally, the price rises were as follows:

--43.5 percent in food, drink and tobacco; 72.9 percent in clothing, shoes and accessories; 28.8 percent in gross rents, fuel and lighting; 60.6 percent in furniture, accessories, household goods and home care; 37.8 percent in medical services and health care; 73.9 percent in transportation and communications; and 6.14 percent in education, recreation and entertainment.

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CSO: 3010

## MEXICO

### INFLATION EXPECTED TO DECREASE IN 1977

Mexico City EL SOL DE MEXICO in Spanish 4 Mar 77 p B-1

[Article by Manuel Gonzalez Cenicerros]

[Text] Monterrey, N.L. 3 Mar--The director of the Economic Research Center of the Universidad Autonoma de Nuevo Leon (UNAL), Leoncio Durandean Palma, in announcing the February price analysis--whose increase was 2.6 percent over January--said that this year prices will increase by 20 percent.

He explained that the study was based on the effects the price increases have had on the real minimum wage, that is, on the real amount of goods and services which can be bought with the minimum wage earned.

In breaking down the analysis, he said that in the food sector the price index decreased by 0.3 percent due to decreases in the subgroups "meat and fish," "fruits and vegetables," and "fats and oils;" however, there was a 3.8 percent rise in the "miscellaneous foods" sector.

#### Increase of 32.2 Percent

Durandean Palma pointed out that last year the general percentage of increase was 32.2 percent, and in the "miscellaneous foods" category it was 58.3 percent.

The highest price increases were in the "dairy products and eggs" sector, with 23.9 percent, and in "fruits and vegetables," with 39.2 percent in 1976.

With regard to "clothing" and "housing," the indices rose 8 and 2.6 percent, respectively, over the month before, and in 1976 those percentages were 32.2 percent and 31.1 percent, respectively.

The director indicated that in February the subgroups "furniture" and "fuel, lighting and water" rose 4.5 percent and 19.6 percent, respectively.



Last year's increases for these categories were 32.2 percent for "housing," 44 percent for "furniture," 41.5 percent for "fuel, lighting and water," 37.7 percent for "conservation and cleaning," and 24.1 percent for "other expenses."

The 1976 index for "clothing" was 37.1 percent, and that of "dry cleaning and laundry" was 46.4 percent.

According to Durandean Palma, in February there were no important changes in the "various expenses" category, since the increase was only 0.3 percent.

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CSO: 3010

## MEXICO

### NEW THERMOELECTRIC PLANT SCHEDULED FOR MANZANILLO

Mexico City EL DIA in Spanish 28 Feb 77 p 2

[Text] Manzanillo, Col. 27 Feb—The director of the Federal Electricity Commission, Hugo Cervantes del Rio, revealed here today that the Mexican Government will provide the country with a thermoelectric plant in this port with an installed generating capacity of 600,000 kilowatts in the first stage.

He indicated that the Manzanillo plant is proof of the continuity of the programs of the revolutionary governments.

Cervantes del Rio pointed this out during the visit he made to the construction sites of the installations of the new project, which was planned and begun by the previous administration and will be carried out by the Lopez Portillo administration. In its second stage, the plant will have a total generating capacity of 1.2 million kilowatts.

During Cervantes del Rio's tour of the area where the plant will be built, he was accompanied by the governor of Colima, Arturo Noriega Pizano, with whom he signed the rural electrification agreement. This year, implementation of the agreement will cost 7 million pesos.

Cervantes del Rio stated that this investment is the most important one in the history of the electrification of Colima, which is now one of the three Mexican states with the most electrification, having a 96 percent rate of electrification among its communities.

In addition, Cervantes del Rio indicated that for 1977 the investment and work program of the electric sector will cost 630 million pesos for the Manzanillo thermoelectric plant. The first 300,000-kilowatt unit will begin operations in April of 1980, and the second unit, of equal capacity, will start in August of that year.

This thermoelectric plant will be built in the area called Punta de Campos, on the Pacific coast, near the Cuyutlan Lagoon.

The plant will use ocean water for its cooling system, by means of an inter-connecting canal to be built by the Federal Electricity Commission between the ocean and the lagoon, since the temperature of the Pacific is very low and that of the lagoon very high.

The plant will have two 400-kilowatt transmission lines, 177 kilometers long, to connect it with the substation in Acatlan, Jalisco, in the Guadalajara area, and another 230-kilowatt line going to the Colomo substation, which will provide the region's tourist area with power.

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CSO: 3010

## MEXICO

### CARMONA: SEVEN REASONS FOR NOT EXPORTING PETROLEUM

Mexico City EL DIA in Spanish 2 Mar 77 p 4

[Article by Salvador Carmona Amoros]

[Text] Foreign Debt

For quite a while I have maintained that more than the amount of the foreign and national debt of the public sector, the use of the funds should be our main concern: that is, they should be used productively. However, as can be deduced from the annual report of the Bank of Mexico, the purchase by private Mexican citizens of financial assets and real estate abroad not only required contracting substantial debts to maintain the convertibility of the peso, but this flight of liquidity to other countries in 1976 even caused serious reductions in domestic investment as well as in the gross national product with the consequent effects on general economic activity. The foreign reserves of the central bank also dropped, to as little as \$1,411.7 million as of 31 December.

#### Shortage of Financing

In its examination of the international situation, the above-mentioned report says the following: "It is probable that in 1977 domestic demand for credit will rise and liquidity in financial centers will fall. This phenomenon, together with greater caution on the part of commercial banks in the granting of new loans, will aggravate the problem of obtaining more financing for non-oil exporting developing countries, who will, for the most part, be forced to take restrictive measures in the management of their economies." These words bring to mind, by association, the press statement released by the Texan oil company "Degolyver and Macnaughton" [sic] to the effect that Mexico was preparing to announce petroleum reserves of about 60 billion barrels, which could make it the biggest oil producer in the western world. I am also reminded of the response of the director of PEMEX to the effect that that company "in fact works for the Mexican Government, but only so that it will certify its reserves for international finance purposes."

## False Dilemma

As a consequence of the aforementioned, everything would indicate that in Mexico we are faced with a false dilemma, that of taking restrictive measures in the management of the economy, or exporting oil, the latter serving not only to provide financial resources for the public sector, but also to pay short-term debt services and maintain the convertibility of the peso into dollars. This could explain the export orientation of the petroleum program of PEMEX, which foresees a gradual progression, starting now, towards a daily export of 1.105 million barrels of crude oil by 1982.

## Reasons for Disagreement

In a brief final note in my last article, I expressed my disagreement with the export part of that program. Now I would like to expand on the reasons for my disagreement:

1. Because it contradicts one of the essential motives behind the expropriation of the oil industry. Actually, the entire oil policy during and after the expropriation has consisted of protecting a nonrenewable natural resource, using it exclusively for the needs of domestic consumption.
2. Because petroleum, more than a fuel, is a basic industrial raw material for the present and future industrialization of the nation.
3. Because we should have an extremely long-term vision in the use of non-renewable natural resources, not one limited to the year 2000.
4. Because we cannot even count on wise use--for example, for the financing of industrialization--of the foreign currency which is to come into the country as a result of the projected exportation of oil. No one can guarantee that, with the current system of free exchange convertibility, there will not be an increased dollarization of the economy or even great international speculation, from which we are now barely safe--without exchange control--due to the weakness of our foreign currency reserves.
5. Because we are selfish and lack solidarity with the future Mexican generations.
6. Because the large oil companies--remember that they assassinated Mossadegh, Mattei, and Faisal--could use us in an international political game to pressure the hardline members of OPEC in general and Venezuela and Ecuador in particular.
7. Because the public sector is revealing a lack of imagination and little organizational ability by not considering or trying any solutions other than the exportation of oil to eliminate our problems of paying debt services and

meeting financial needs. I believe that the reorganization of national production factors, especially in the agricultural sector, would be the true and complete solution to our medium- and long-term problems.

#### Appeal to Men

It is understandable, in human and political terms, that the Lopez-Portillo administration feels and acknowledges with its decisions the tremendous pressure imposed by the national and international economic situation--the signs of recuperation are disappearing in the industrialized, capitalist economies. But, we say, our country is economically and politically strong. I do not think we are on the verge of having to resort to the irrational exploitation and exportation of a nonrenewable resource--already consumed irrationally on the domestic scene, in our large cities, due to a lack of designs and construction of mass transit systems--when we have not yet appealed to hard work, to a common effort, to the patriotic and revolutionary spirit of millions of men who with very little urging would be, as they are now, willing to produce, to maintain our legitimate national interests.

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MEXICO

NUCLEAR AGE TO COME TO CHIHUAHUA

Mexico City EL SOL DE MEXICO in Spanish 24 Feb 77 p 11-A

[Text] Chihuahua, Chih., 23 Feb--The Mexican Government will use atomic energy to generate electricity and promote agricultural and industrial activities, as well as to protect hydrocarbon reserves.

For this purpose, 500 million pesos will be invested in the installation of two plants for uranium treatment in the municipality of Aldama, Chihuahua, where half the country's reserves are located.

These two plants and another one which will be restored this year will serve to provide the energy required by the Laguna Verde plant in Veracruz to generate electricity.

At the same time, the National Nuclear Energy Institute will step up its search for uranium in other regions of the state, where the possibility of finding a greater amount of uranium is high. At the present time national uranium reserves are estimated at 8,000 tons, of which 4,000 are located in the municipality of Aldama. These 4,000 tons are barely enough to supply just one reactor in the Laguna Verde plant for only 7 years.

Activity in uranium exploration and treatment projects in Mexico has been reduced in the last few years. With the Federal Electricity Commission installations in Veracruz, the old projects have been resumed and more resources have been allocated for the construction of reduction works.

The first step to be taken this year will be the restoration of the plant which was built in Aldama in 1969 by the Mining Promotion Commission for the treatment and obtainment of uranium and molybdenum concentrates mined from the Gomez and Pena Blanca mountains.

In this plant, which will be in operation by the end of the year, 800 tons of uranium will be treated daily, and 65 tons of concentrate will be produced annually.

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## MEXICO

### BRIEFS

PPS ON U.S. ATTACKS--Mexico City, 22 Mar (INFORMEX)--During the Popular Socialist Party (PPS) assembly held in the city of Oaxaca on 19 and 20 March, Senator Jorge Cruickshank, PPS national leader, declared that, "This historic event is being held at a crucial time for the people of Oaxaca, who have experienced complicated situations, acute problems and the defection of certain state officials in their attitude toward popular demands." In an analysis of the national situation, he said, "We are facing a difficult situation because we have been and are being brutally attacked by U.S. imperialism due to the pressures exerted by the previous administration." It was agreed at the assembly to condemn and reject every attempt at meddling in the internal life of the party and to resolutely support the resolutions approved by the Central Committee and its National Directorate. [Excerpt] [Mexico City INFORMEX in Spanish 0315 GMT 23 Mar 77 FL]

TRADE DELEGATIONS--Mexico City, 22 Mar (INFORMEX)--In a press conference held today, Mexican Foreign Trade Institute Director General Lic Adrian Lajous announced that a delegation of buyers of the European Economic Community will visit Mexico next August, and that a commercial mission of Mexican exporters will tour EEC member nations next April. Likewise, he announced that a Mexican delegation is attending in Budapest a CEMA meeting that started today and will last 3 days. [Text] [Mexico City INFORMEX in Spanish 2010 GMT 22 Mar 77 FL]

NEW AMBASSADORS--Mexico City, 23 Mar (INFORMEX)--President Jose Lopez-Portillo named Rodolfo Navarrete Tejero and Jorge Eduardo Navarrete Lopez as Mexican ambassadors to Denmark and Yugoslavia. The Foreign Ministry made the announcement today, emphasizing that Navarrete Tejero is a career foreign service officer and has served in the Mexican consulates and embassies in France, Haiti, Argentina, Portugal, Israel, Guatemala and Denmark. He was named ambassador to Poland in 1971 and to the GDR in 1974. Two years later, he was appointed Mexican representative to UNESCO where he has served to date. Regarding Navarrete Lopez, the Foreign Ministry reported that he has been ambassador to Venezuela and Austria. He was born in Mexico City on 29 April 1940 and is married. Navarrete Lopez obtained a degree in economics from the National Autonomous University of Mexico. [Mexico City INFORMEX in Spanish 0330 GMT 24 Mar 77 FL]



BAHAMIAN ENVOY--Mexico City, 22 Mar (INFORMEX)--After presenting his credentials to President Lopez-Portillo, Bahamian Ambassador Livingston Basil Johnson today pointed out the need to promote and strengthen the good bonds of friendship between Mexico and the Bahamas which have existed since the moment of independence. Johnson reported that he talked with the president about closer cooperation among countries of the region and doing everything possible to develop and promote the economic well-being and stability of the countries on this continent. Referring to his objectives as ambassador to Mexico, he said they consist of continuing working closely with Mexico in joint efforts at the United Nations and the Inter-American Development Bank for the purpose of improving such efforts and making them more mutually effective. [Text]  
[Mexico City INFORMEX in Spanish 0345 GMT 23 Mar 77 FL]

CSO: 3010

## URUGUAY

### FINANCE MINISTER DISCUSSES IMPORT, EXPORT

Montevideo Cadena de Oro del Interior in Spanish 1600 GMT 14 Mar 77 PY

[Interview with Arismendi--recorded]

[Text] While the 18th Inter-American meeting on tax laws is in session, the economy and finance minister talked about the impact of certain measures adopted by the government with regard to import and export matters.

Questioned about their results, Minister Valentin Arismendi indicated that several countries in the region are implementing an economic policy similar to that of Uruguay. He also said that the results are positive and he clarified several aspects related to taxes and reimbursements.

He indicated that the reduction of reimbursements for nontraditional exports is only 4.4 percent of the current bonus amounts which, he believes, cannot radically affect any type of industry.

With regard to import taxes, he indicated that they will not become an inflationary factor because even though in some cases there is a minimum increase of from 7 percent to 10 percent, in the case of many raw materials there is a reduction from 17 percent to 10 percent.

Regarding the foreign debt, Uruguay will not face any difficulty in meeting its commitments which are considered to be at a level which is lower than the feasible limits.

Economy and Finance Minister Valentin Arismendi was interviewed about these and other matters by "Informativo Shell" at noon today.

[Arismendi] There are several countries in the region implementing an economic policy similar to that adopted in Uruguay. From what I remember off hand, Brazil, (?Paraguay), Chile and Argentina are implementing such a policy in our region. This policy has clearly achieved positive results in these countries and [words indistinct] that we have achieved an economic recovery in Uruguay.

A change in economic policy is always brought about by a damaged economy and therefore its recovery is not easy and the actions undertaken by these countries to achieve a better standard of living is also delayed.

[Question] As in those other countries, the policy which Uruguay is implementing is aimed at curbing inflation. Some economists, however, find a slight contradiction in this policy because of the constant devaluation of the currency exchange. These economists believe that these devaluations aid inflation, why then is this policy continued?

[Arismandi] I believe that, just as I have recently stated publicly, there are areas in the economy which must be given priority. We have established the increase of reserves as a priority area in the Uruguayan economy. This is not an arbitrary decision. We have made this decision because Uruguay needs to strengthen its reserves to face its foreign debt and its purchases in the international market.

If Uruguay does not enforce a currency exchange policy similar to the one enforced at present, traditional exports will undoubtedly continue, because we have comparative advantages, but these traditional exports represented 48 percent of our exports during 1976.

This means that the other 52 percent needs a readjusted price because of domestic inflationary conditions. Otherwise, these exports could not enter the market. Unfortunately Uruguay is not yet able to do without these exports, regardless of the burden they bring through the payment of reimbursements and the enforcement of this currency exchange policy, because Uruguay must increase its international reserves.

[Question] Mr Minister, is the social burden of this policy considered to be high or not?

[Arismendi] I believe that the social burden for implementing this policy is the lowest that can possibly be achieved. By looking at other countries in the region, I do not want to mention any names, we can see that if this policy were not implemented and we were to have high currency exchange, our international resources would be based on traditional exports as theirs is. If this is the case then I wonder what the employment level would be for the Uruguayan worker and what would be considered the highest social burden: having unemployment or having a slightly higher cost of living which results from this exchange rate.

[Question] Will the payment of over \$250 million abroad be very harmful to the country this year?

[Arismendi] Well, Uruguay is able to pay these foreign obligations. Although this foreign debt is not causing great concern, the volume of this foreign debt is scarcely 1 and 1/2 years worth of exports. We can achieve twice the volume of exports and we are in an excellent position. We are not concerned about this. Furthermore we are not concerned about the status of this debt which we can face without any problems with our reserves, and may I remind you that our operations are backed by 4 million ozs of gold.